

103
**NAFTA: A NEGATIVE IMPACT ON BLUE COLLAR,
MINORITY, AND FEMALE EMPLOYMENT?**

Y 4.G 74/7:AM 3/5

NAFTA: A Negative Impact on Blue Co...

HEARING
BEFORE THE
EMPLOYMENT, HOUSING, AND AVIATION
SUBCOMMITTEE
OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
FIRST SESSION

NOVEMBER 10, 1993

Printed for the use of the Committee on Government Operations



U.S. GOVERNMENT PRINTING OFFICE

75-934 CC

WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-043587-0

3

NAFTA: A NEGATIVE IMPACT ON BLUE COLLAR, MINORITY, AND FEMALE EMPLOYMENT?

4. G 74/7: AM 3/5

FTA: A Negative Impact on Blue Co...

HEARING

BEFORE THE
EMPLOYMENT, HOUSING, AND AVIATION
SUBCOMMITTEE
OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
FIRST SESSION

NOVEMBER 10, 1993

Printed for the use of the Committee on Government Operations



U.S. GOVERNMENT PRINTING OFFICE

75-934 CC

WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-043587-0

COMMITTEE ON GOVERNMENT OPERATIONS

JOHN CONYERS, JR., Michigan, *Chairman*

CARDISS COLLINS, Illinois
GLENN ENGLISH, Oklahoma
HENRY A. WAXMAN, California
MIKE SYNAR, Oklahoma
STEPHEN L. NEAL, North Carolina
TOM LANTOS, California
MAJOR R. OWENS, New York
EDOLPHUS TOWNS, New York
JOHN M. SPRATT, JR., South Carolina
GARY A. CONNIT, California
COLLIN C. PETERSON, Minnesota
KAREN L. THURMAN, Florida
BOBBY L. RUSH, Illinois
CAROLYN B. MALONEY, New York
THOMAS M. BARRETT, Wisconsin
DONALD M. PAYNE, New Jersey
FLOYD H. FLAKE, New York
JAMES A. HAYES, Louisiana
CRAIG A. WASHINGTON, Texas
BARBARA-ROSE COLLINS, Michigan
CORRINE BROWN, Florida
MARJORIE MARGOLIES-MEZVINSKY,
Pennsylvania
LYNN C. WOOLSEY, California
GENE GREEN, Texas
BART STUPAK, Michigan

WILLIAM F. CLINGER, JR., Pennsylvania
AL MCCANDLESS, California
J. DENNIS HASTERT, Illinois
JON L. KYL, Arizona
CHRISTOPHER SHAYS, Connecticut
STEVEN SCHIFF, New Mexico
C. CHRISTOPHER COX, California
CRAIG THOMAS, Wyoming
ILEANA ROS-LEHTINEN, Florida
DICK ZIMMER, New Jersey
WILLIAM H. ZELIFF, JR., New Hampshire
JOHN M. MCHUGH, New York
STEPHEN HORN, California
DEBORAH PRYCE, Ohio
JOHN L. MICA, Florida
ROB PORTMAN, Ohio

BERNARD SANDERS, Vermont
(Independent)

JULIAN EPSTEIN, *Staff Director*

MATTHEW R. FLETCHER, *Minority Staff Director*

EMPLOYMENT, HOUSING, AND AVIATION SUBCOMMITTEE

COLLIN C. PETERSON, Minnesota, *Chairman*

TOM LANTOS, California
BOBBY L. RUSH, Illinois
FLOYD H. FLAKE, New York
KAREN L. THURMAN, Florida
BARBARA-ROSE COLLINS, Michigan

WILLIAM H. ZELIFF, JR., New Hampshire
CHRISTOPHER SHAYS, Connecticut
JOHN M. MCHUGH, New York

EX OFFICIO

JOHN CONYERS, JR., Michigan

WILLIAM F. CLINGER, JR., Pennsylvania

DAVID C. RINEBOLD, *Professional Staff Member*

ANDREA NELSON, *Counsel*

JUNE SAXTON, *Clerk*

MICHAEL D. NANNINI, *Minority Professional Staff*

CONTENTS

	Page
Hearing held on November 10, 1993	1
Statement of:	
Collins, Hon. Barbara-Rose, a Representative in Congress from the State of Michigan, and chairwoman, anti-NAFTA task force, Congressional Black Caucus	67
Hinojosa-Ojeda, Raul A., Ph.D., assistant professor of planning, University of California	88
Jackson, Jesse, president, National Rainbow Coalition	58
Johnson, Gloria, president, Coalition of Labor Union Women	80
Lee, Thea M., economist, Economic Policy Institute	82
Malichi, Toby, president and managing director, Malichi Diversified, Ltd., Indianapolis, IN	118
Nader, Ralph, Center for Responsive Law	23
Peterson, Hon. Collin C., a Representative in Congress from the State of Minnesota, and chairman, Employment, Housing, and Aviation Subcommittee: Opening statement	1
Letters, statements, etc., submitted for the record by:	
Collins, Hon. Barbara-Rose, a Representative in Congress from the State of Michigan, and chairwoman, anti-NAFTA task force, Congressional Black Caucus: Prepared statement	72
Conyers, Hon. John, Jr., a Representative in Congress from the State of Michigan, and chairman, Committee on Government Operations: Prepared statement	7
Hinojosa-Ojeda, Raul A., Ph.D., assistant professor of planning, University of California: Prepared statement	92
Lee, Thea M., economist, Economic Policy Institute: Prepared statement ..	85
Malichi, Toby, president and managing director, Malichi Diversified, Ltd., Indianapolis, IN: Prepared statement	121
Moore, Michael, producer, writer, director, and creator of the film "Roger and Me": Prepared statement	69
Nader, Ralph, Center for Responsive Law:	
Information concerning expanding trade and creating American jobs .	30
Prepared statement	44
Peterson, Hon. Collin C., a Representative in Congress from the State of Minnesota, and chairman, Employment, Housing, and Aviation Subcommittee: Prepared statement	4
Zeliff, Hon. William H., Jr., a Representative in Congress from the State of New Hampshire: Prepared statement	15

APPENDIX

Material submitted for the hearing record	127
---	-----

NAFTA: A NEGATIVE IMPACT ON BLUE COLLAR, MINORITY, AND FEMALE EMPLOYMENT?

WEDNESDAY, NOVEMBER 10, 1993

HOUSE OF REPRESENTATIVES,
EMPLOYMENT, HOUSING, AND AVIATION SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:09 p.m., in room 2154, Rayburn House Office Building, Hon. Collin C. Peterson (chairman of the subcommittee) presiding.

Present: Representatives Collin C. Peterson, Karen L. Thurman, Christopher Shays, and William H. Zeliff, Jr.

Also present: Representative John Conyers, Jr.

Staff present: David C. Rinebold, professional staff member; Andrea Nelson, counsel; June Saxton, clerk; and Michael D. Nannini, minority professional staff, Committee on Government Operations.

OPENING STATEMENT OF CHAIRMAN PETERSON

Mr. PETERSON. The subcommittee will come to order.

This is a hearing today that is going to focus on potential impacts of NAFTA as regards minorities, women, and blue collar workers.

In the past several months, the Subcommittee on Employment, Housing, and Aviation has held eight hearings on the impacts of the proposed North American Free Trade Agreement. What we found during those eight hearings is disturbing.

This agreement, in my opinion, does nothing for American workers. So-called projections of net job gains, which are cited as absolute truth by NAFTA proponents, are based on economic studies that I believe are questionable at best. These are the same economists who projected 2 million new jobs from previous trade agreements that actually ended up in Japan, Europe, and other places.

They have, in my opinion, about the same credibility as predictions from the local TV weatherman. And even though multinational corporations now move millions of dollars from country to country, most of the 300 economists who support NAFTA rely on models that assume no movement of capital and full employment in both Mexico and the United States.

The job training program promised for trade dislocated workers will likely be inadequate as well. For 19 years, these programs have been a failure because they did not result in good, new jobs, for the workers that were dislocated. The General Accounting Of-

fice and the Department of Labor IG openly acknowledge this. But it is the only help promised currently for our vulnerable workers by this administration.

Promises that NAFTA would raise the low Mexican wages looked hollow after our review of the exercise of labor rights in Mexico. Unions in Mexico, as everybody knows, are an arm of the government and carry out government economic policies. The current policy is to keep wages low and hours high so that foreign companies will be induced to move facilities to Mexico. We see no change in that with the current agreement.

In Matamoros, for example, maquiladora workers are better paid and work only a 40-hour week, as opposed to the 48-hour week that is standard. But now Mexico is promising United States companies new workers for \$1 an hour instead of \$2 an hour and working a 48-hour week instead of a 40-hour week.

During this committee's visit to Mexico, the manager of a state-of-the-art GM subsidiary told us that the company moved to Matamoros because of the lower wages which gave them a competitive edge.

Workers who try to organize independent unions to fight for their rights are fired, black listed, physically abused, and sometimes killed by government and union-sponsored thugs.

The NAFTA labor side agreement, in my opinion, does nothing to change this situation. It does not protect worker rights to organize and to collectively bargain. NAFTA proponents use this omission as a selling point.

United States and Canadian workers cannot even discuss working conditions and labor rights with Mexican workers without risking detention by immigration authorities who view free speech and the right to travel as a threat to Mexico's control of its workers.

Thirty-eight United States and Canadian members of the machinists' union learned that when they were detained in Tijuana for several hours in September because they happened to be on a street where a United States-owned plant with labor problems is located.

NAFTA will be devastating for the 25 percent of the Mexicans who are engaged in agriculture. There are not enough other jobs to absorb the millions of Mexicans who will be displaced, and even then economists admit that the immigration to the United States will probably increase. The result? More downward pressure on U.S. wages.

This hearing will focus special attention on the potentially disproportionate impact of projected layoffs and plant closings caused by NAFTA on minority and female workers. These are the same workers who have been the target of a variety of Federal programs designed to bring them into the economic mainstream.

The decline in the number of manufacturing, blue collar jobs is well documented. NAFTA, in my opinion, will worsen this trend. Over 30 percent of the African-Americans in the work force are employed in manufacturing jobs, compared to 20 percent of the white labor force. But, as the Wall Street Journal recently reported, African-American workers are disproportionately affected when blue collar jobs are lost, particularly when inner-city offices and factories are closed.

Dislocated workers experience much longer periods of unemployment than other laid-off workers. And we also know that African-Americans and Hispanics already have unemployment rates twice as high as those of other workers. We know that women in the work force are often stuck in low-wage jobs that have fewer benefits. And programs have been put in place by the Federal Government to deal with these problems, but largely they have not succeeded, at least up to this point.

The industries most likely to move south of the border are those which are the most labor intensive: Textiles, sewing, and auto manufacturing. These are exactly the jobs which minorities and women have been able to land. These are the jobs that single mothers have turned to to feed their children. In addition, procurement programs designed to provide a preference for minorities, and women may well be undermined by NAFTA.

I, for one, will not support a trade agreement which protects investors, bankers, lawyers, and economists, but not those who punch a time clock.

I cannot support a trade agreement which will eliminate the very jobs that have enabled minorities and women to enter the economic mainstream.

I would like to recognize Representative Conyers, the chairman of the Government Operations Committee, who has joined us today. And I am going to run over and vote.

Mr. Chairman, I will get back as soon as I can.

[The prepared statement of Mr. Peterson follows:]

STATEMENT OF COLLIN C. PETERSON
CHAIRMAN
EMPLOYMENT, HOUSING AND AVIATION SUBCOMMITTEE
November 10, 1993

In the past several months, the Subcommittee on Employment, Housing and Aviation has held eight hearings on the impacts of the proposed North American Free Trade Agreement (NAFTA).

What we found is very disturbing. This agreement does nothing for American workers. So-called projections of net job gains -- which are cited as absolute truth by NAFTA proponents -- are based on economic studies that are questionable at best. These are the same economists who projected 2 million new jobs from previous trade agreements with Canada and Japan. They have a credibility factor lower than the predictions of TV weathermen. Even though multinational corporations now move billions of dollars from country to country, most of the 300 economists who support NAFTA rely on models that assume no movement of capital and full employment in both Mexico and the U.S.

The job training program promised for trade-dislocated workers will likely be inadequate. For 19 years, these programs have been a failure because they did not result in good, new jobs for these workers. The General Accounting Office and the Department of Labor openly acknowledge this. But it is the only help promised our most vulnerable workers.

Promises that NAFTA would raise the low Mexican wages looked hollow after our review of the exercise of labor rights in Mexico. Unions in Mexico are an arm of the government and carry out government economic policies. The current policy is to keep wages low and hours high so that foreign companies will be induced to move facilities to Mexico. We see no change. In Matamoros, for example, maquiladora workers are better paid and work only a 40-hour week as opposed to the 48-hour week that is standard. But now Mexico is promising U.S. companies new workers for \$1 per hour, instead of \$2, and working a 48-hour week. During this Committee's visit to Mexico, the manager of a state-of-the-art GM subsidiary told us that the company moved to Matamoros because of the lower wages, which gave them a "competitive edge."

Workers who try to organize independent unions to fight for their rights are fired, blacklisted, physically abused and sometimes killed by government and union-sponsored thugs. The NAFTA labor side agreement does nothing to change this situation. It does not protect workers' rights to organize and collectively bargain. NAFTA proponents use this omission as a selling point.

U.S. and Canadian workers cannot even discuss working conditions and labor rights with Mexican workers without risking detention by immigration authorities who view free speech and the

right to travel as a threat to Mexico's control of its workers. Thirty-eight U.S. and Canadian members of the machinists' union learned that when they were detained in Tijuana for several hours in September because they happened to be on a street where a U.S.-owned plant with labor problems is located.

NAFTA will be devastating for the 25 percent of Mexicans who are engaged in agriculture. There are not enough other jobs to absorb the millions of Mexicans who will be displaced, and even then economists admit that immigration to the U.S. will increase. The result? More downward pressure on U.S. wages.

This hearing will focus special attention on the potentially disproportionate impact of projected layoffs and plant closings caused by NAFTA on minority and female workers. These are the same workers who have been the target of a variety of federal programs designed to bring them into the economic mainstream.

The decline in the number of manufacturing/blue collar jobs is well documented. NAFTA will worsen this trend. Over 30 percent of the African-Americans in the workforce are employed in manufacturing jobs, compared to 20 percent of the white labor force. But, as the Wall Street Journal recently reported, African-American workers are disproportionately affected when blue-collar jobs are lost, particularly when inner-city offices and factories are closed.

Dislocated workers experience much longer periods of unemployment than other laid-off workers. We also know that African-Americans and Hispanics already have unemployment rates twice as high as whites. We know that women in the workforce are often stuck in employment ghettos of their own, with lower wages and fewer benefits. Programs put in place by the federal government to deal with these problems have not succeeded.

The industries most likely to move south of the border are those which are most labor intensive--textiles, sewing, and auto manufacturing. These are exactly the jobs which minorities and women have been able to land. These are the jobs that single mothers have turned to to feed their children. In addition, procurement programs designed to provide a preference for minorities and women may well be undermined by NAFTA.

I, for one, cannot support a trade agreement which protects investors, bankers, lawyers and economists, but not those who punch a time clock. I cannot support a trade agreement which will eliminate the very jobs that have enabled minorities and women to enter the economic mainstream.

Mr. CONYERS [presiding]. All right. Thank you very much, Chairman Peterson. We have agreed to rotate our assignments here chairing. And I am going to let Bill Zeliff go so that we can get this part of it out so when the voting discontinues we will be able to start off with the witnesses.

And so I am very pleased to recognize my colleague, who accompanied this CODEL that went to Mexico and parts of Texas; and we were very delighted that the gentleman from New Hampshire was able to accompany us.

I am very pleased to recognize him, as the ranking member of this subcommittee now.

[The prepared statement of Mr. Conyers follows:]

OPENING STATEMENT

**HONORABLE JOHN CONYERS, JR.
CHAIRMAN
COMMITTEE ON GOVERNMENT OPERATIONS**

BEFORE

EMPLOYMENT, HOUSING AND AVIATION SUBCOMMITTEE

**"NAFTA: A NEGATIVE IMPACT ON BLUE COLLAR
MINORITY AND FEMALE EMPLOYMENT"**

NOVEMBER 10, 1993

I WANT TO THANK THE SUBCOMMITTEE'S DISTINGUISHED CHAIR, REPRESENTATIVE COLLIN PETERSON, FOR CONVENING THIS HEARING TO CONSIDER THE EFFECTS OF THE NORTH AMERICAN FREE TRADE AGREEMENT ON BLUE COLLAR WORKERS, WOMEN AND MINORITIES. THIS IS THE LAST HEARING THE GOVERNMENT OPERATIONS COMMITTEE WILL HOLD ON NAFTA PRIOR TO THE SCHEDULED VOTE ON THE IMPLEMENTING LEGISLATION. I AM GLAD WE WILL HAVE THE OPPORTUNITY TO CONSIDER THIS VERY IMPORTANT ISSUE AND HAVE DETERMINED THAT THERE IS GOOD CAUSE TO GO FORWARD WITH LESS THAN A WEEK'S NOTICE.

WE CAN SEE BY THE COUNTLESS HEARINGS, THE TOWNMEETINGS THROUGHOUT THE UNITED STATES, THE TELEVISED FACE-OFF BETWEEN THE VICE PRESIDENT AND ROSS PEROT LAST NIGHT, AND THE FACT THAT REVEREND JESSE JACKSON, RALPH NADER, ROSS PEROT AND PAT BUCHANAN ARE ALL ON THE SAME SIDE, THAT THE DEBATE ON NAFTA HAS FUNDAMENTALLY ALTERED HOW TRADE POLICY IS DISCUSSED IN THE UNITED STATES.

TRADE POLICY ISSUES, WHICH WERE ONCE DECIDED IN SECRET AMONG HIGH GOVERNMENT OFFICIALS AND INTERNATIONAL CONGLOMERATES, ARE NOW DISCUSSED AT THE DINNER TABLES,

AND IN THE FACTORIES. PEOPLE REALIZE THAT THE COMMERCIAL RELATIONSHIPS WE ENGINEER WITH OTHER NATIONS EFFECT IN A VERY REAL AND DIRECT WAY, THEIR ABILITY TO HOLD JOBS AND PROVIDE FOR THEIR FAMILIES.

WHATEVER ONE'S POSITION ON NAFTA, EVERYONE MUST KNOW THAT THOSE MOST LIKELY TO SUFFER WILL BE THOSE THAT HISTORICALLY ARE THE FIRST TO FACE ECONOMIC HARDSHIP IN THIS COUNTRY -- AFRICAN-AMERICANS AND OTHER MINORITIES, THE POOR, LOW-SKILLED WORKERS, AND WOMEN.

I AM DEEPLY CONCERNED WHEN I HEAR THE SUPPORTERS OF NAFTA TALK ABOUT THE LONG-TERM NET ECONOMIC BENEFIT OF THIS TRADE POLICY. EVERYONE KNOWS WHAT IT MEANS WHEN YOU TALK ABOUT A NET BENEFIT -- IT MEANS THAT THERE ARE WINNERS, AND LOSERS. FROM THE POINT OF VIEW OF THE DIRECT BENEFICIARIES OF THIS AGREEMENT, IF THE WINNERS OUTWEIGH THE LOSERS, THEN EVERYONE SHOULD APPLAUD. THAT'S A NET BENEFIT. WE ARE HERE THIS AFTERNOON TO CONSIDER THE CONSEQUENCES FOR THOSE LIKELY TO GET THE SHORT END OF THE STICK.

SERIOUS CONCERNS HAVE BEEN RAISED REGARDING THE LIKELIHOOD OF NAFTA TO FURTHER DECIMATE THE WELL-PAYING MANUFACTURING JOBS THAT HAVE BEEN THE FOUNDATION OF MIDDLE-INCOME URBAN COMMUNITIES; JOBS THAT HAVE BUILT CITIES LIKE DETROIT. NUMEROUS STUDIES SHOW THAT BLUE-COLLAR AND MINORITY WORKERS ARE DISPROPORTIONATELY CONCENTRATED IN MANUFACTURING INDUSTRIES AND LIVE IN URBAN AREAS THAT ARE SUPPORTED BY INCOME FROM THOSE INDUSTRIES. WITHOUT QUESTION, THEY WILL BE THE HARDEST HIT BY NAFTA AND WILL HAVE THE LONGEST AND MOST DIFFICULT RECOVERY.

PRO-NAFTA FORCES PROMISE THAT NAFTA WILL ULTIMATELY CREATE THOUSANDS OF HIGH-SKILL, HIGH-WAGE JOBS THROUGH INCREASED EXPORTS TO MEXICO. EVEN IF THIS PROMISE COULD BE SUPPORTED WITH REAL EVIDENCE, THIS POLICY WILL STILL DISPLACE MANY WORKERS WHO WILL FACE SIGNIFICANT DIFFICULTIES MOVING INTO THESE NEW TECHNOLOGY-INTENSIVE JOBS. TO THEM, NAFTA IS A RAW DEAL.

EVEN IF WORKER ADJUSTMENT AND RETRAINING PROGRAMS ARE MADE AVAILABLE, THERE ARE SERIOUS QUESTIONS ABOUT WHETHER THE EXCHANGE OF HIGH-SKILL / HIGH-WAGE JOBS FOR LOW-SKILL / LOW WAGE JOBS WILL MATERIALIZE FOR BLUE-COLLAR WORKERS, MINORITIES AND WOMEN. IN A SERIES OF STUDIES CONDUCTED BY THE BUREAU OF LABOR STATISTICS (1979 THROUGH 1990) U.S. WORKERS DISPLACED BY TRADE POLICIES WERE SHOWN AS MORE LIKELY TO MOVE *DOWN* THE JOB LADDER TO LOWER PAYING JOBS, OR *OFF* THE LADDER TO LONG-TERM OR PERMANENT UNEMPLOYMENT, NOT *UP* THE LADDER TO BETTER JOBS THAN THEY STARTED WITH.

I BELIEVE THAT THE ADMINISTRATION WANTS TO PUT IN PLACE EFFECTIVE WORKER ADJUSTMENT AND JOBS TRAINING PROGRAMS. HOWEVER, I AM CONCERNED THAT THE PROPOSED PROGRAMS DO NOT FULLY TAKE INTO ACCOUNT THE UNIQUE PROBLEMS THAT WILL BE PRESENTED HERE.

WITH THE ASSISTANCE OF THE ADMINISTRATION, THE COMMITTEE HAS DEVELOPED PROVISIONS IN NAFTA'S IMPLEMENTING LEGISLATION THAT WILL PROTECT MINORITY BUSINESS PROGRAMS. THE INCLUSION OF THESE PROTECTIONS IN AN INTERNATIONAL

TRADE AGREEMENT IS UNPRECEDENTED. I HAVE RECEIVED FROM AMBASSADOR KANTOR A LETTER THAT LISTS THE FEDERAL PROCUREMENT LAWS THAT WILL BE PRESERVED BY THIS ACTION. THIS LETTER WILL BE ENTERED INTO THE RECORD.

HOWEVER, DESPITE THIS ACHIEVEMENT, AND MY BELIEF IN THE GOODWILL OF THIS ADMINISTRATION, THE ECONOMIC BENEFITS OF NAFTA WILL NOT BE SHARED BY ALL. AND THOSE THAT WILL BE PENALIZED ARE TOO OFTEN THOSE THAT ARE ASKED TO ENDURE THE SACRIFICE FOR THE BENEFIT OF OTHERS.

EVEN WORSE, THERE IS A FINAL IRONY. ALTHOUGH THE AGGREGATE PURCHASING POWER OF AFRICAN-AMERICANS IS ROUGHLY EQUAL TO THAT OF MEXICO, AS A COMMUNITY OF CONSUMERS, AFRICAN-AMERICANS HAVE NEVER SEEN THIS KIND OF VIGOR AND COMMITMENT ON THE PART OF THE U.S. GOVERNMENT AND U.S. CORPORATIONS THAT WE HAVE WITNESSED OVER NAFTA. UNTIL ALL OF US CAN SHARE IN THIS COMMITMENT TO ECONOMIC GROWTH, IT IS UNREASONABLE TO EXPECT SUPPORT FROM THOSE WHO ARE EXCLUDED.

I LOOK FORWARD TO THE TESTIMONY WE WILL RECEIVE HERE.

Mr. ZELIFF. Thank you, Mr. Chairman. It was a great honor for me to participate in that trip during the October weekend.

Mr. Chairman, for me, NAFTA represents opportunity. When a foreign country lowers its barriers to American-made products and services, this translates into opportunities for American workers.

And that is what this country was founded upon, wasn't it? Opportunity? That all men and women, regardless of race or ethnic origin, have the opportunity to realize their goals and dreams for the future?

NAFTA is all about opportunity. We will have a historic opportunity next Wednesday. We have the opportunity to create the world's largest trading block, able to compete with the best that Asia or the European Community can offer.

We have the opportunity to gain new access to a growing market in Mexico, a market that prefers to buy American-made products.

Businesses in this country will have new opportunities to market and sell their products and services. And this means more jobs for American workers.

We can take the first step next week toward this goal by passing the North American Free Trade Agreement. We can move forward to secure our economic future, or we can build walls around ourselves and retreat into the failed protectionist policies of the past.

I find it strange to see advocates for the poor worshipping Smoot-Hawley-type tariffs that caused the Great Depression.

I oppose the tariffs of the past, and I agree with the need for job creating change, supported by all six living Presidents, both Republicans and Democrats, 41 Governors from both parties, and 17 liberal and conservative Nobel Prize winning economists.

Professor Paul Krugman of MIT made an important observation in the December 1993 issue of Foreign Affairs stating,

If the U.S. rejects NAFTA, it will virtually be asking for a return to the bad old days in U.S.-Mexican relations. . . . It will be a monument to our foolishness if our wholly irrational fears about NAFTA end up producing an alienated or even hostile neighbor on our southern border.

Unfortunately, the debate over NAFTA has been marked by a great deal of irrational fear and emotion interrupted, only occasionally, by the facts.

Mr. Chairman, I relish the opportunity to work with you to examine the issues surrounding the debate over NAFTA. You and I are on opposite sides of the NAFTA debate, but I certainly respect your views. I would like to believe that you also respect my desire to have the opportunity to present my views on this issue as well.

As I mentioned in the past, I am sorry that no serious attempt was made to find any witnesses that might balance the testimony of those opposed to NAFTA.

I am particularly disappointed that no serious attempt was made to secure the participation of the administration.

Mr. Chairman, we have talked about these concerns before. And when I refer to "Mr. Chairman," I am referring to Chairman Collin Peterson particularly. I want our hearings to be objective and balanced examinations of the issues.

Quite honestly, I am very interested and very impressed by the witnesses that will be appearing here today, both Reverend Jack-

son's and Mr. Nader's views on this job creating agreement. I am looking forward to their testimony.

I, for one, believe strongly that the best way to create good, high-paying jobs for blue collar, minority, female, or other workers is to develop markets for the products of American companies.

I, for one, believe strongly that government can best help the less fortunate in our society by enacting policies such as NAFTA that will create jobs. We can demagog at the altar of the past and sow fear, or we can bring change and stimulate economic growth by enacting the North American Free Trade Agreement.

As Lee Iaccoca says, America should not be building walls around ourselves when the rest of the world is tearing down their walls.

I, for one, agree with another friend of America's working men and women, former Speaker of the House, Tip O'Neil, who stated,

I always tried to live by the principle that my central duty was to represent the bread and butter economic interests of working men and women. It is because I care about the creation of jobs and the expansion of the middle class of this country that I strongly support the North American Free Trade Agreement.

I would like to associate myself with Tip O'Neil's comments on how to best help working Americans.

I would also like to just mention that the major chambers of commerce of both Portsmouth and Manchester, NH, 2,500 members strong, have supported the passage of the North American Free Trade Agreement, as well as our business and industry association.

Thank you, Mr. Chairman. I look forward to this great hearing.
[The prepared statement of Mr. Zeliff follows:]

STATEMENT OF THE HONORABLE
WILLIAM H. ZELIFF
BEFORE THE SUBCOMMITTEE ON
EMPLOYMENT, HOUSING, AND AVIATION
ON THE IMPACT OF NAFTA ON
BLUE COLLAR, MINORITY AND FEMALE EMPLOYMENT

November 10, 1993

Mr. Chairman,

For me, NAFTA represents opportunity.
When a foreign country lowers its barriers to
American-made products and services, this
translates into opportunities for American
workers.

And that is what this country was founded upon, wasn't it? Opportunity? That all men and women, regardless of race or ethnic origin, have the opportunity realize their goals and dreams for the future?

NAFTA is all about opportunity. We will have an historic opportunity next Wednesday. We have the opportunity to create the world's largest trading bloc, able to compete with the best that Asia or ^{the} European Community can offer. We have the opportunity to gain new access to a growing market in Mexico, a market that prefers to buy American-made products. Businesses in this country will have new opportunities to market and sell their products and services.

And this means more jobs for American workers.

We can take the first step next week toward this goal by passing NAFTA. We can move forward to secure our economic future, or we can build walls around ourselves and retreat into the failed protectionist policies of the past. I find it strange to see advocates for the poor worshiping Smoot-Hawley type tariffs that caused the Great Depression.

I oppose the tariffs of the past and agree with the need for job creating change, supported by all of the living Presidents, forty-one governors from both parties, and seventeen liberal and conservative Nobel Prize winning economists.

Professor Paul Krugman of MIT made an important observation in the December 1993 issue of Foreign Affairs, stating that "if the US rejects NAFTA, it will virtually be asking for a return to the bad old days of US-Mexican relations...It will be a monument to our foolishness if our wholly irrational fears about NAFTA end up producing an alienated or even hostile neighbor on our southern border".

Unfortunately, the debate over NAFTA has been marked by a great deal of irrational fear and emotion interrupted, only occasionally, by the facts.

Mr. Chairman, I relish the opportunity to work with you to examine the issues surrounding the debate over NAFTA. You and I are on opposite sides of the NAFTA debate, but I respect your views. I would like to believe that you respect my desire to have the opportunity to present my views on this issue as well.

I am sorry that no serious attempt was made to find any witnesses that might balance the testimony of those opposed to NAFTA. I am disappointed that no serious attempt was made to secure the participation of the Administration.

Mr. Chairman, we have talked about these concerns before. I want our hearings to be objective and balanced examinations of issues. We do a disservice to the American people by doing anything less.

Quite honestly, I am very interested to hear the Reverend Jackson's and Mr. Nader's views on this job creating trade agreement.

I for one believe strongly that the best way to create good, high paying jobs for blue collar, minority, female, or other workers is to develop markets for the products of American companies.

I for one believe strongly that government can best help the less fortunate in our society by enacting policies such as NAFTA to create jobs. We can demagogue at the alter of the past and sow fear, or we can bring change and stimulate economic growth by enacting NAFTA. As Lee Iaccoca says, America should not be building walls around ourselves when the rest of the world is tearing down their walls.

I for one agree with another friend of America's working men and women, former Speaker of the House Tip O'Neil, who stated, "I always tried to live by the principal that my central duty was to represent the bread-and-butter economic interests of working men and women.

It is because I care about the creation of jobs and the expansion of the middle class of this country that I strongly support the North American Free Trade Agreement."

I'd like to associate myself with Tip O'Neil's comments on how to best help working Americans. Thank you Mr Chairman.

Mr. CONYERS. Thank you. Bill Zeliff, you are a gentleman and a scholar. I appreciate your company on this committee. And I appreciated your traveling with me to Mexico.

We are going to begin in just a few minutes, but we will stand in recess until this vote is completed and that will give your chairman a chance to vote on the Brady bill amendment.

[Recess taken.]

Mr. CONYERS. The committee will come to order.

We are delighted to call Ralph Nader to the podium. He is probably the most effective consumer crusader and public defender in our history. He has spent decades in the struggle against corporate and governmental abuse. He has become, in effect, the public citizen for American politics.

We are pleased to have him here today. His impact on the system has been enduring. It goes back to the 1960's. His concerns with the environment, justice, economic concerns are well-known to all of us here in the Congress. And we are delighted to hear from him on this very important subject at this time.

His prepared statement, as those of all witnesses, will be included in the record without objection.

We also note the seating of Rev. Jesse Louis Jackson at the table next to Ralph Nader. We welcome you, too, Reverend Jackson; and we will hear from you shortly.

Good afternoon, Mr. Nader.

STATEMENT OF RALPH NADER, CENTER FOR RESPONSIVE LAW

Mr. NADER. Thank you, Mr. Chairman and members of the subcommittee. Thank you for the opportunity to discuss the North American Free Trade Agreement.

And this is the free trade agreement, a two volume document that most of the economists and most of the political figures which are lined up for NAFTA have never read, including Paul Samuelson and Milton Friedman.

I am glad to have this opportunity to reflect the results of many months of research by our organizations and reflect the points regarding the North American Free Trade Agreement that are concerning millions of Americans who are part of coalitions all over the country urging the Congress to defeat this trade agreement.

I request, with the permission of the committee, that my entire statement and its attachments be made part of the record.

Mr. CONYERS. It has been.

Mr. NADER. The North American Free Trade Agreement, as it is called by its creators, is not a trade agreement in any traditional sense. And I want to make that clear in the context of Congressman Zeliff's remarks.

We are not talking about reinstating Smoot-Hawley; we are not talking about protectionism. The issue is not "free trade or not free trade." The issue is whether the NAFTA agreement diminishes American democracy and entrenches the Mexican dictatorial regime. Everything flows from that in terms of what will be the result for our country, Canada, and Mexico under the North American Free Trade Agreement which, as we all know, is only a prel-

ude to similar gigantic revisions of the General Agreement on Tariffs and Trade.

NAFTA is much more than simply reducing tariffs or investment barriers. It is an international autocratic governance agreement that deeply invades the internal democratic sovereignty of the United States to preserve, in advance, its own health, safety, and workplace standards.

NAFTA will undermine U.S. and State health safety and environmental standards by requiring harmonization of standards. That means, for our country, harmonization down. Our truck safety standards and truck driver certification standards will be under exceptional pressure to go down toward lower levels in foreign countries who are signatories to the NAFTA agreement.

I will elaborate on that a little later on.

Two, imposing limitations on the goals the United States may pursue in its food safety laws; three, limiting the means the United States may use to promote health, safety, and environmental goals; and, four, requiring the United States to permit imports that don't comply with its health, safety, and environmental standards or face trade penalties; and, five, the establishment under NAFTA of secret tribunals—they are confidential tribunals—for resolving trade challenges, including those directed at health, safety, and environmental measures, that is stacked against consumer and environmental interests.

And by that, I mean not just the general environment, but the workplace environment.

According to many knowledgeable observers, the disproportionate impact on African-Americans and other minorities is quite significant.

I would like to point out, Mr. Chairman, that no one on Capitol Hill that I talked to yesterday—and I talked to many of them—knew that the NAACP came out against NAFTA in a considered statement in July 1993. That just illustrates another example of how broad the NAFTA—anti-NAFTA coalition is, and how the White House is trying to narrow it as if it is primarily represented by Ross Perot.

The key point to remember is that, though NAFTA restricts the democratic rights of all Americans, it is drawn primarily to serve the interests of a narrow special interest group, the owners of large corporations.

As the NAACP noted in its July 14, 1993, resolution opposing NAFTA, "NAFTA is not primarily a free trade agreement." That is where Members of Congress must focus on. It is much more than a free trade agreement.

And to continue the NAACP, "Rather, it is an investment agreement designed to protect investments which U.S. companies make in Mexico."

Under a NAFTA regime, those outside this protected class will be especially vulnerable to economic loss. As NAACP President, Rev. Benjamin Chavis pointed out,

African American workers could bear the brunt of the downside of the trade agreement. The downside is the relocation of American industries to Mexico. African American workers are concentrated in urban communities employed by flight-prone industries. These industries—textile and apparel factories and auto assembly plants—currently have large percentages of African American workers. These indus-

tries are in communities already suffer high unemployment and are most vulnerable to the social upheaval that is brought about by higher unemployment.

Similar effects can be anticipated by Latinos, Asian Americans, and other communities where working people are left with no recourse in the face of accelerating corporate flight.

This month's executive council meeting of the Coalition of Black Trade Unionists was reportedly dominated by discussion of NAFTA's deleterious effects, ranging from job loss, to hazardous waste exposure, to generalized downward pressure on U.S. wages.

Mr. Clinton calls this the politics of fear. Mr. Clinton is not going to lose his job. Members of Congress are not going to lose their job. The heads of the major national newspapers are not going to lose their job. The corporate lobbyists are not going to lose their job.

It is pretty presumptuous for them to look at people who have already lost their jobs, who are about to lose their jobs, who are trying to make ends meet, and say they are radiating the politics of fear. They have a right to be fearful from the past, the present, and future projections if NAFTA is enacted together with revised GATT.

Bill Lucy, the Coalition's president, noted that such NAFTA-generated shocks would be especially damaging coming in the current economic political context,

You've got the continued drag on the urban economy resulting from the prior recession. You've got the Federal Government unable or unwilling to put resources into the community, given its budget deficit, and an unwillingness of taxpayers to raise taxes to meet the service needs of the community.

I want to bring to your attention, Mr. Chairman, a survey that was printed in the Wall Street Journal about 12 months ago, a Roper poll, of chief executives of American manufacturing firms. They were asked, among others, two questions. If NAFTA passes, if NAFTA passes will you use it as a lever to hold down American wages? Twenty-four percent of the executives of these manufacturing firms said yes or very likely.

They were also asked, if NAFTA passes, would you relocate some of your factories to Mexico? Forty percent answered in the affirmative.

Now that is the horse's mouth. That is not Al Gore's euphoric projections. That is the horse's mouth, from people who control those jobs. The issue in NAFTA is not a question of how the United States will fair vis-a-vis Mexico but rather how the working people of both countries will be impacted by the dealings of each country's corporate power brokers.

NAFTA exacerbates a vicious cycle of exploitation under which Washington further entrenches a repressive Mexican regime, which, in turn, holds down local wages through repression, which, in turn, lures United States firms to relocate in Mexico, which, in turn, leaves United States workers dispossessed and forced to seek retraining from Washington for jobs that don't exist.

How can you have competitive trade that is fair between two countries, one which has the right to form labor unions and the right to raise wages and, second, Mexico, which represses wages, represses pollution control, represses democracy, steals elections, prevents independent courts, and makes it impossible for the citizens of Mexico to make sure that their government upholds the ob-

ligations under NAFTA which they agreed to under NAFTA in the side agreements?

It is not possible. You can't have an economic union between a modest democracy and a repressive dictatorship because the dictatorship will cheat. The dictatorship will say they will enforce the minimum laws, and the minimum wage laws, and the child labor laws, and the pollution laws, even against the past history of outrageous nonenforcement.

But they will have a vested interest in cheating, and we can't stop the Mexican Government from cheating, nor can the Mexican people.

That is a critical distinction which escapes the generalized characterization of free trade. The Labor Council for Latin American advancement, which represents 1.5 million Hispanic trade unionists, pointed out its recent statement of opposition to NAFTA that the cycle strikes with a sharply racially disproportionate impact.

The Council noted that,

Minority workers are more likely to be laid off during plant shutdowns and furloughs, with Labor Department reports indicating that between 1987 and 1991, 49 percent of Hispanic workers and 12 percent of black workers were more likely than whites to be displaced.

It added, that according to the Labor Department data, it also, remains more difficult for minority workers to find new employment. . . . Of the Latino workers displaced from 1985 to 1989, more than a third were still officially unemployed or had dropped out of the labor force as of January, 1990.

Now who are you going to believe—Al Gore, Bill Clinton, or the human rights groups in Mexico, and the political opposition parties who have had their election victories stolen from them—that Mexico cannot uphold the agreements under NAFTA if it is controlled by 30 families and a repressive dictatorial regime that has been operating that way for 64 years and that, by common accounts, stole the 1988 election for President Salinas, who is one of the cosignatories under the pact? Who are you going to believe?

Who are you going to believe? Bill Clinton and Al Gore and their corporate backers? Or are you going to believe studies by Hispanic scholars—people like Jorge Castinada, people like Lester Thurow of MIT—who told me that NAFTA will increase illegal immigration into the United States because cheap American corn will flood the market in Mexico, 18 million Mexicans and children rely on corn and bean economy. As they are dispossessed they go into the big cities, there are no jobs, they head north.

Lester Thurow is a mild endorser of NAFTA. And so when he says it is going to increase illegal immigration, you better take it as an admission against interest, as the lawyers say, with enhanced credibility.

Everything NAFTA touches becomes more autocratic and less democratic, more remote from the public's right to know, participate, and decide, and more concentrating of power in the hands of multinational corporations.

And this is an important—very important point that should concern all Americans wherever they come from, the damage to our democracy by NAFTA.

From its morbidly secretive conception by corporate lobbyists and their governmental allies to the secretive, exclusive, and essentially

unreviewable decisions by international tribunals that are wholly alien to our country's judicial and administrative law practices, NAFTA diminishes U.S. democracy.

The trade agreement subordinates consumer, environmental, and worker health and safety considerations to its commercial dictates, largely designed by global corporations. The repeated drum beat in the hundreds of pages of NAFTA and GATT revisions is a commercial trade imperative—read, corporate mercantilism—are what noncommercial values, such as health, safety, and conservation must bend beneath.

Already, in recent years under trade agreements such as the United States Canadian Trade Agreement and GATT, nations, provoked by their dominant companies, have been challenging internal health, safety, and other domestic standards as keeping out imports, as nontariff trade barriers. Take some of the examples: Canada challenged our asbestos phaseout, a killer of over 200,000 Americans. Why did they challenge it? Because they said it keeps out Canadian asbestos from United States markets.

We took on Canada's control of acid rain, saying their tax incentives to their fossil fuel companies were unfair competitive advantages to our fossil fuel companies.

Canada had to repeal its Compulsory Drug Price Act to conform with NAFTA, which has kept drug prices lower in Canada than the United States, even though it is the same drug companies selling in both countries.

And so we go. Challenges on raw log exports, tuna-dolphin, milk safety, tobacco, recycling, food labeling, auto insurance, are some of the recent, pending, or tentative forays pushing existing trade agreement envelopes in anticipation of the giant "go" signals for such invasions of sovereignty under NAFTA and the GATT revisions.

While all trade agreements involve some relinquishment of national sovereignty, Mr. Chairman, as with setting tariffs, these new world corporate order agreements take away too much democratic self-determination and replace it with antidemocratic procedures and decisions far beyond the reach of voters, consumers, workers, and taxpayers.

What is really at work in all these proposed agreements is the drive by multinational companies to end-run our democracy, to break free from the constraints of national sovereignty.

These multinational companies want global commerce but without democratic global law to hold them accountable.

NAFTA can, therefore, be described as a "pull down" trade agreement, in contrast to the European Economic Community's "pull up" conditions placed, for example, upon Spain, Portugal, and Greece as conditions for entry, such as they had to be, parliamentary democracies, which Mexico is not. They had to have worker safety nets, which Mexico does not have. And other rights.

In contrast, by serving to further entrench the Mexican dictatorial regime and its tight oligarchy of concentrated wealth, NAFTA is inimicable to the causes of human rights, political and economic democracies, and to the rule of law that millions of Mexicans are seeking in order to uplift their miserable conditions. Lester

Thurrow, the MIT economist, said Mexico would not qualify for entry into the European Economic Community for these reasons.

Why does it qualify for entry into the U.S. economic community beyond the trade investment already going on and will continue to go on with or without NAFTA?

Americans are not ready to have their hard-fought standards for motor vehicle safety, food safety, fuel efficiency, pollution controls, recycling, and other conservation measures, to mention a few, making that vulnerable to challenge by foreign countries as nontariff trade barriers before secretive unreviewable tribunals that exclude all citizens from participation and appeal in any real sense.

If the citizens of New Hampshire got together, persuaded their legislature to establish a safety standard or recycling standard, they could be exposed to challenge by a foreign country as keeping out imports, hauled before the secretive tribunals.

The State of New Hampshire could not participate before these tribunals. Only the U.S. Government could. And all submissions by all parties are secret and the decisions are unreviewable.

That has got to affect your concern, Congressman. And that is exactly what is written in these two volumes, which very, very few people have read. And we can give you backup legal analysis for all of that.

It is difficult enough to have to deal with Albany, Sacramento, Lansing, Washington, without another layer of autocratic bureaucracy in Mexico City, Geneva, and Rome, making decisions beyond the reach of American citizens.

NAFTA and the GATT revisions would give foreign countries and their powerful corporations a field day in dragging down higher standards of living, health, and safety in the United States to lower country common denominators. That is what harmonization would, in effect, mean; and that is why I call it harmonization downward.

I just spoke with Secretary of Transportation, Federico Peña. I asked him whether he knew about a memorandum of understanding in 1992 under Bush between DOT and the Mexican counterpart. He said, what do you mean? I said there was a memorandum of understanding about truck driver certification between the two countries; and under this bizarre definition of equivalent standards, here is what our government now has agreed to with the Mexican Government, that the thousands and thousands of Mexican trucks, who will increase their volume and come into all 48 States within 3 years if NAFTA is passed, can be driven by Mexican truck drivers who do not have to know a word of English. That is not safe.

American truck drivers should not be allowed in Mexico without knowing some Spanish. These Mexican truck drivers do not have to show, "by experience or training," that they know how to drive the rig that they are driving, for example, a tank truck, tank truck.

And third, they do not have to demonstrate, by experience or training, that they know about their cargo and what to do if their cargo shifts, et cetera.

Now Mexican trucks are inspected at a worse level than ours. They are maintained at a less safe level than ours. And when the State of California objected to the Department of Transportation last year, they said, we can't allow these trucks to come in with

drivers who don't meet our standards or health tests and for renewability every 4 years.

The Department of Transportation, unrevoked by Clinton, said, California, if you do not agree to this technical amendment, we will penalize you under the Federal Highway Aid Program. California backed down.

Now, NAFTA is a Mexican truck in our rearview mirror, and NAFTA reflects the harmonization downward that is going to affect our higher health and safety standards, because NAFTA is a "pull down" agreement instead of what it should be, a "pull up" agreement.

NAFTA is also something that equates with President Clinton's promises to the voters last year. I have had five members of your august body, Mr. Chairman, tell me, in the last few days, that they never heard of a speech by President Clinton in October 1992, in North Carolina, dedicated almost entirely to NAFTA.

I will submit this for the record. President—candidate Clinton said that NAFTA needed to be fixed in 13 ways, such as food safety standards, truck standards, democratizing procedures, et cetera, worker training, before he would approve it.

A few weeks ago, President Clinton signed the side agreements with Mexico and Canada; 12 out of 13 of these fixes that he promised the American people before the election never reached the negotiating table. They are not in the side agreements. President Clinton did not deliver candidate Clinton's NAFTA. President Clinton delivered President Bush's NAFTA.

We will submit the documentation for that in the record.
[The information follows:]

Expanding Trade and Creating American Jobs

by Bill Clinton

Ladies and gentlemen, I came here to North Carolina today to talk about a difficult and important issue for our country. When I announced my candidacy for President a year and a day ago, I did it not just to challenge Mr. Bush, but to challenge the American people, and here I come today to talk about one of our greatest challenges—how we can compete and win in the global economy.

The whole purpose of what one person once called the dismal science of economics, is to enable us to make good decisions that will reward people who work hard and develop their God-given capacities.

I came here today to tell you why I support the North American Free Trade Agreement.

If it is done right, it will create jobs in the United States and in Mexico, and if it is done right and it is part of a larger economic strategy, we can raise our incomes and reverse the awful trend of now more than a decade in

which most Americans are working harder for less money.

If it is not done right, however, the blessings of the agreement are far less clear, and the burdens can be significant. I'm convinced that I will do it right.

We live in a world that has been revolutionized almost beyond comprehension. We have seen in the last few years the Soviet Union disintegrate, the Berlin Wall, freedom fighters released from their prisons in Eastern Europe and South Africa, the Cold War end. Less obviously but no less dramatically, we have seen unbelievable changes transforming the global economy, which have had their impact here at home.

A little more than a generation ago, international trade and investment were a seemingly insignificant portion of our nation's income, but today our exports and imports of good and services amount to about a quarter of our entire economy.

A little more than a generation ago, American workers, consumers, and companies lived almost entirely within the American economy. Today, we live within the world economy, and foreign trade accounts for almost as high a proportion of our economic activity as it does in Japan and Western Europe.

For a high wage country like ours, the blessings of more trade can be offset at least in part by the loss of income and jobs as more and more multinational corporations take advantage of their ability to move money, management, and production away from a high wage country to a low wage country.

A little more than a generation ago, we were virtually unchallenged in the world marketplace, but today we are challenged as never before not only by Japan and Western Europe, but by other countries as well.

A little more than a generation ago, the world was a far simpler place. We could support free trade and open markets and still maintain a high wage economy because we were the only economic superpower, and our capacity to control our destiny was largely totally within our own hands.

Now, because money, management, and production are mobile and can cross national borders quickly, we face unprecedented competition from developing countries, as well as wealthy ones.

You know that in North Carolina and so do I. A textile worker in Carolina has to compete against a textile worker in Singapore perhaps to sell sweaters in Germany.

It's also hard to tell who the players are. An American car may have more foreign parts in it than a foreign car that happens to be made in an American assembly plant.

This, in other words, is not a simple debate. The world is changing in complex ways. The choices before us are difficult, and it is imperative that at least we understand what is going on,

Adapted from "Expanding Trade and Creating American Jobs," a speech given by then-Governor Bill Clinton at North Carolina State University in Raleigh, North Carolina on October 4, 1992.

40 NAFTA: What's at Stake?

and that we have an honest and forthright discussion of all the forces at play.

For a high wage country like ours, the blessings of more trade can be offset at least in part by the loss of income and jobs as more and more multinational corporations take advantage of their ability to move money, management, and production away from a high wage country to a low wage country.

We can also lose incomes because those companies who stay at home can use the threat of moving to depress wages, as many do today. Other countries like Germany and Japan have, quite frankly, managed this problem much better than we have. How have they done it?

First of all, by maintaining a more highly-skilled work force not just among their university graduates, but up and down the line among all their workers.

Secondly, by investing more in modern plant and equipment, and in research and development, and developing better systems of moving ideas from the laboratory to the market place, so that if they lose one kind of manufacturer job, there are always other kinds opening up. In contrast to what you often have here, where when people lose their manufacturing job, they look around until their unemployment runs out, and then eventually take a job making half what they used to make.

Thirdly, these countries do a better job of controlling their external costs like health care and energy. The average German factory produces the same amount of output as the average American one for one-half the energy input, and our country spends 30 percent more of our income on health care than any other nation with which we compete.

Next, other countries do a better job of exporting more and of continuously increasing productivity by working together more closely, business

The issue here is not whether we should support free trade or open markets. Of course, we should. The real issue is whether or not we will have a national economic strategy to make sure we reap the benefits, and the answer today, is, we don't.

and labor, government and education. But also let's be frank—Germany and Japan have policies that are tougher in keeping high wage jobs at home, at least for the home market. The Europeans have an absolute ban on foreign car sales that exceed 16 percent of the market now in Western Europe. The Japanese distribution system means that only 3 per cent of the cars sold in Japan are not Japanese. We have an auto parts export surplus of \$4 billion with every country in the world, but when you add Japan in, we have a \$9 billion deficit.

For some time now—as you see, this is a very complicated thing, and for some time I have felt that one of the most difficult problems in modern politics and in, therefore, in this presidential election, is the simplistic and superficial labeling of complex issues.

As network news sound bites have shrunk by one study—they're down to less than 9 seconds now—public discussions of important issues have gotten the short shrift. On, perhaps, no other issue has the decline of discourse been more pronounced than on the issue of trade.

Too much is at stake here to avoid the real issues, and, yet, time and again, that is what we do.

The issue here is not whether we should support free trade or open markets. Of course, we should. The real issue is whether or not we will have a national economic strategy to make sure we reap the benefits, and the answer today, is, we don't.

Too many Republicans would say that it's a simple issue—free trade always equals economic growth. Well, it can, but only if we have a comprehensive national strategy to promote

that kind of growth.

Some Democrats would say that free trade today always equals exporting jobs and lowering wages. Well, it sure can if you don't have a comprehensive economic strategy to maintain a high wage, high growth economy.

It is in that context that we have to look at this North American Free Trade Agreement. Is it good for Americans? Will it help us to develop a high wage, high growth economy here at home? Or, by opening Mexico to more U.S. and foreign investment, will it simply encourage more United States companies to abandon their workers and communities here and move to Mexico? Will it depress wages of those who are left here, and will they even have ironically less money to buy the products that Mexico will send back to this country?

Well, if you look at the experience of the maquiladora plants, those who have moved to Mexico right across the border, there is certainly cause for concern. We can see clearly there that labor standards have been regularly violated; that environmental standards are often ignored, and that many people who have those jobs live in conditions which are still pretty dismal not just by our standards, but theirs.

So there is some reason to fear that there are people in this world and in our country who would take advantage of any provisions insuring more investment opportunities simply to look for lower wages without regard to the human impact of their decisions.

Still, you must look at the other side of the coin. Changes in Mexico under President Salinas have ballooned our two-way trade with them and have eliminated the trade deficit we once had with Mexico. Thus, creating jobs here in America even as our investment policies have cost them.

I can also say based on my own experience, that a good economic

policy can grow manufacturing jobs even in tough global competition.

In our state, thanks to highly productive workers and creative business leaders, good cooperation between the government and the private sector, good incentives and aggressive support for educating workers, promoting quality management and marketing more products, we have grown manufacturing jobs at 10 times the national average for several years now. There are many and complex reasons for this, but we did have a definite strategy that involved partnerships with a deliberate decision not to give up our manufacturing base. That is very important.

In the United States of America today, only about 16.5 per cent of the work force is in manufacturing. In my state, it's 22 per cent.

I want to make it very clear—I am committed to maintaining a strong manufacturing base in this country.

The great economic power in this world are the people who make things. We have 16.5 per cent of our work force in manufacturing, Japan has 28 per cent, Germany has 32 per cent. We must do better and we can.

I believe NAFTA can contribute to this effort, not undermine it, as long as we move aggressively to address the serious omissions from the agreement.

I believe we have to do more for our own workers, to protect the environment on both sides of the border, both because it's good for the environment and because if they don't do it, it will further lower their cost of production, to promote prosperity on both sides of the border.

If we do these things and, again, if we develop a serious economic policy at home, than NAFTA can be a very good thing for the United States.

We simply cannot go backwards when the rest of the world is going forward into a more integrated economy. We cannot go inward when our opportunities are so often outward. For all our history, America has

I am committed to maintaining a strong manufacturing base in this country. I believe NAFTA can contribute to this effort, not undermine it, as long as we move aggressively to address the serious omissions from the agreement.

moved ahead and reached out, colonizing a wilderness, exploring a continent, always seeking what President Kennedy called the New Frontier.

And today we must forge ahead again. As president, I will seek to address the deficiencies of the North American Free Trade Agreement through supplemental agreements with the Canadians and the Mexican government and by taking several key steps here at home. I will not sign legislation implementing the North American Free Trade Agreement until we have reached additional agreements to protect America's vital interests. But I believe we can address these issues without renegotiating the basic agreement.

This agreement, however, is only one piece of a larger puzzle. Even the present negotiations recognize that, as there are other issues being discussed all along. We need not only to reduce trade barriers, but to prepare our entire work force not only to compete in the global economy, but to live with the changes in it and to make sure nobody gets left behind.

I remain convinced that the North American Free Trade Agreement will generate jobs and growth on both sides of the border if and only if it's part of a broad-based strategy, and if and only if we address the issues still to be addressed.

If we don't do those things, we can kill NAFTA, but we'll still lose jobs. And that's the important point I want to make. I have been governor of a state that has seen jobs go on a fast track to Mexico and to other countries. If we do nothing on this agreement and we don't address the serious worker retraining and economic

investment issues in this country and we don't change our economic policy, we will still lose jobs because money, production, management are mobile, and there are people, unfortunately, in this world who would rather move for cheap wages than stay and work for productivity.

We have got to face the bigger issue. We cannot overload NAFTA and make it the symbol of either all our hopes, as Mr. Bush has done, or all our fears, as some of the opponents have done. We have got to see this as a part of a real big effort to rebuild the American economy from the ground up.

This is not an abstract question. It has real consequences for real people.

For more than a decade, our country has been led by yesterday's men, who were out of touch, out of ideas and out of step with the developments in the global economy, who refused to recognize not only new opportunities, but new challenges and new responsibilities.

Americans have paid a terrible price for their policies. Trickle-down economics have given us a weakened economy, declining wages for more than two-thirds of our workers, longer work weeks, lost jobs, greater inequality, greater poverty, one in 10 Americans on food stamps today, a hundred thousand Americans a month losing their health insurance, and the real sense that we may be raising the first generation of Americans to do worse than their parents.

Without a national economic strategy, this country has been allowed to drift. Meanwhile, our competitors have organized themselves around clear national goals to save, promote and enhance high wage, high growth jobs.

In a Clinton administration, we will approach trade and every other issue with a single-minded focus, to do what is best for ordinary Americans who are willing to work hard to get ahead.

But that focus must also recognize the new rules of the global economy.

42 NAFTA: What's at Stake?

When Japan discovers a way just to make cars a little better, or when our president refuses to issue export credits and European farmers take away a Russian market that was meant to be for us, or when a country in South Asia or South America violates copyright standards for software, the impact is felt in factories and farms and families all across America.

But when people line up in Paris to watch an American movie, when families around the world eat American food, when a jet made in Seattle lands or takes off from an airport in Seoul, American jobs and paychecks are more secure.

Our prospects and our prosperity depend upon our ability to win in this kind of environment, an environment in which what we earn depends on what we can learn, in which Americans who only finish high school and have no further education and training face far grimmer futures than their parents, an America in which if we do not equal our competitors in research and development and our skill in bringing ideas into manufacturing jobs here at home, unless we have a conversion plan to take all the money by which we reduce defense and invest it in an American economy for the 21st century—in transportation, communication and environmental cleanup technologies, in biotechnology, in the new frontiers that will provide tens of thousands, indeed, hundreds of thousands of high wage jobs if we seize the opportunities, unless we do that, whatever we do on this trade agreement will not guarantee or undermine the future we are otherwise going to have.

We've got to understand what the big rules are and start following them. Our competitors know it. The Germans and the Japanese do more with education, from public school to apprenticeships to training in the work force, than we do. The average German factory spends five times as much money retraining its workers as the average American employer on an

While we don't know what will happen with other regional trading blocs, we know that we need stronger ties to our neighbors both for positive opportunities and to protect us in the event that other countries become more protectionist. We can only do that with Canada and with Mexico.

annual basis.

They do more on research and development than we do. They spend a higher percentage of their income.

But when our companies do have well-training workers and competitive products and services and high levels of cooperation and productivity, they do very well indeed. We still have some of the finest companies in the world, that dominate their marketplaces in spite of the fact that they live in a country which doesn't encourage investment in new plants over investment in new Maseratis or third or fourth homes. They do well in spite of the fact that they live in a country which won't control health care costs and in spite of the fact that they live in a country which doesn't guarantee that workers will always have the opportunity to have high, high, high levels of education and training.

But no matter what we do in preparing our workers and investment money, we've still got to have markets for our products. As much as we export, the Germans export a far higher percentage per capita than we do. We need more markets. And today, regional economic blocs are emerging, very formally in Western Europe and less formally, but still surely in Asia, organized by Japan and Japanese investment.

It is too early to say whether the integration of Western Europe will be a plus or a minus for America. If they keep opening trade, well, that's good.

We now have a \$17 billion surplus with Europe. But they also limit car imports to 16 per cent, and they recently restricted imports of American

agricultural products on the flimsiest of excuses.

So while we don't know what will happen with these other regional trading blocs, we know enough to know that we need stronger ties to our neighbors both for positive opportunities and to protect us in the event that other countries become more protectionist.

We can only do that with Canada, which is already at roughly our standard of living, and with Mexico, which is way below our standard of living, if we find a way to grow our economies together in ways that are good for both of us.

So I advocate this treaty as a beginning of that process. I hope that one day we'll have a global agreement for the General Agreement on Tariffs and Trade which will be fairer to our country and which will open markets around the world. But in the meantime, we need to do more in our own region.

If we can make this agreement work with Canada and Mexico, then we can reach down into the other market-oriented economies of Central and South America to expand even further. But these three economies together will give us, in terms of population, the largest trading market in the world today.

It will provide more jobs through exports. It will challenge us to become more competitive. It will certainly help Mexico to develop, but still, that is also in our interest: A wealthier Mexico will buy more American products; as incomes rise there, that will reduce pressure for immigration across the border into the United States, which depresses wages here.

President Salinas has taken some important steps. He's privatized corporations, he's reduced his debt, he's tamed inflation and he's brought down trade barriers. As I said, the unilateral initiative of the Mexicans has led to a huge increase in the products we sell there and the evaporation of the trade

deficit. They also encouraged us to enter these negotiations.

Now, what we have to do, I will say again, is to have a new kind of leadership to make this work. We have to have an overall trade policy that says to our trading partners, particularly our wealthy ones, if you want access to our market, you've got to give us access to yours.

When the president went to Japan, it was sort of sad. He took the auto company executives and pleaded with the Japanese to buy cars. But his United States trade representative had given him a report that said that if Japanese markets were as open as American markets, they would buy \$10 billion more products from us every year, everything from agriculture to auto parts to electronics, in ways that would create 300,000 high-wage jobs in America.

So we had to say trading blocs are not enough. We need fair treatment in other countries if we are giving them fair treatment in ours.

But let me get back to this agreement. Although it is unpopular with some people and organizations I admire and who represent the very Americans I am fighting so hard for in this election, I think we should go forward with it because it advances our interests, the interests of ordinary Americans, more than it undermines them if we also do the other things needed to deal with the deficiencies in this agreement and if we have a good new economic policy.

The agreement reduces and eventually eliminates trade barriers in place, especially in Mexico, against a number of major American exports. It opens up larger markets for our goods and services. It will phase out virtually all tariffs between the U.S. and Mexico over the next 15 years, with some of the most sensitive products being given the longest transitions.

Yet, as I said, there are critical issues which remain unaddressed, from worker's rights to farmers' needs to

The most glaring omission in Bush's package is its lack of meaningful assistance to vulnerable workers and communities. We must offer real training programs to deal with the real problems. Trade adjustment assistance that includes training, health care benefits and income supports, and assistance to communities to create jobs.

environmental protection. Despite the promises he made to really address these in a forthright way, Mr. Bush has failed, most important, to provide adequate assistance to our workers, those most likely to be hurt by economic integration with Mexico.

American farmers could also suffer without stronger safeguards for their interests. And the environmental provisions are still too weak. This agreement does nothing to reaffirm our right to insist that the Mexicans follow their own labor standards, now frequently violated—this is a very important issue—and not aggravating the wage differentials which already exist.

As we move toward free trade, we must always remember why we're doing it—to help the working men and women of America. We should not do things that are not in the interest of our people over the long run.

There are apparel workers, fruit and vegetable farmers, electronic workers, auto workers who are at risk not only of short-term dislocation, but of permanent damage if this agreement is not strengthened and improved. Industries that have already been hard hit by the flow of jobs to Mexico will continue to be hurt unless we negotiate tougher measures to protect them and to make ourselves more competitive.

This agreement underscores the core of the differences between me and Mr. Bush. From the national economic recession to the dislocations caused by defense cutbacks, his attitude has been that we should have

trickle-down economics and let the market have its way, keep taxes lowest on the wealthiest Americans, then get out of the way. He seems to be saying, so what if some workers get hurt or some farmers get hurt or some environmental damage is done? So what? Sooner or later, it'll all come out in the wash. Well, a lot of Americans are being washed away by that economic philosophy.

I want America to go forward with expanded trade with our neighbors. I also want an America that has a national economic strategy that makes sense.

And I believe there are some things we need to do to make this agreement stronger, but I think they can be addressed without renegotiating the basic free trade agreement.

As president, I will ensure adequate measures are taken before Congress acts to implement the free trade agreement. I don't want to give up all our leverage to help our workers and to make sure our environment is protected by basically ratifying the agreement through legislation. I think that we don't have to reopen the agreement, but we do have to insist that protection for our workers and for the environment proceed on parallel tracks. We should do it all at once.

I think there are five unilateral steps we should take, and there are three supplemental agreements we should negotiate with Canada and Mexico to achieve an acceptable package. Here they are: First, what we have to do: we've got to address the long-neglected needs of our working people, both skilled and unskilled who are on the front lines of new economic conditions and who may be displaced. The most glaring omission in Mr. Bush's package is its lack of meaningful assistance to vulnerable workers and communities.

For those who need training, we must provide it. We will give you real programs to deal with the real problems. Trade adjustment assistance that

44 NAFTA: What's at Stake?

includes training, health care benefits and income supports, and assistance to communities to create jobs. You can train people all you want, but if they don't have anything to do, it will be like being all dressed up with no place to go.

The second thing we have to do is move to protect our environment. Before we implement this, we have to be sure first, that there will be environmental clean up and infrastructure investments in our country sufficient to do what we have to do.

The third thing we have to do is to make sure we do something for the farmers who are at risk here. I am convinced having read this agreement with some care that some of the farmers will do better under it than they fear that they will and that the losses in some sectors have been somewhat exaggerated. However, there will certainly be some dislocation.

Assistance should be provided to farmers who are threatened. We can assist them first by strict application of American pesticide requirements to imported food.

We should help some growers ship to alternative crops, and those who may lose out to competition should be just as eligible for transition assistance as workers in businesses and communities are.

Fourth, we ought to make sure that NAFTA, the trade agreement, doesn't override the democratic process.

For example, in the provisions on the environment, the current agreement contains no mechanism for public participation in defending challenges to American laws if we apply our environmental laws against Mexican products, or in bringing challenges to the practices of other parties.

I think the new Congress should pass legislation to provide for public participation in crafting our position and ongoing disputes, and to give citizens the right to challenge objectionable environmental practices by the Mexicans or the Canadians.

We ought to make sure that NAFTA doesn't override the democratic process. For example, in the provisions on the environment, the current agreement contains no mechanism for public participation in defending challenges to American laws if we apply our environmental laws against Mexican products.

Fifth, I think we have to make sure this agreement's provisions allowing foreign workers to cross our borders are properly implemented. We have to assure that certain professional workers aren't brought in here as strike breakers. The recent experience where Canadian workers were brought into the country to break our nurses' strike by American nurses is an example of this. That should never be repeated.

As president, I have said repeatedly I would support a law to outlaw the use of permanent replacement workers, and I certainly will negotiate to stop the use of replacement workers from Canada and Mexico.

I also think—I want to note that this agreement allows Mexican truckers to drive in the United States without having to satisfy all the U.S. safety and training standards. That troubles me, and I think that you have to say that we must do everything we can under the agreement, and there are some things we can do, to assure there is adherence to U.S. standards through tough inspections.

There are several areas now that we have to negotiate supplemental agreements which I would want to present together with the agreement that's already been negotiated. Before implementing the agreement, we must establish an environmental protection commission with substantial powers and resources to prevent and clean up water pollution. The commission should also encourage the enforcement of the country's own environmental laws through education, training and commitment of re-

sources, and provide a forum to hear complaints.

Such a commission would have the power to provide remedies, including money damages and the legal power to stop pollution. As a last resort, a country could even be allowed to withdraw.

If we don't have the power to enforce the laws that are on the books, what good is the agreement?

We must have some assurances on this. This is a major economic as well as an environmental issue.

Best of all, I'm going to ask Senator Gore to take charge of ensuring that an effective commission is established and that it does work to protect the environment. Al Gore and I will ensure that the environmental protection commission is up and running when the free trade agreement is up and running.

A second commission with similar powers should be established for worker standards and safety. It too should have extensive powers to educate, train, develop minimum standards and have similar dispute resolution powers and remedies. We have got to do this. This is a big deal.

Perhaps the toughest issue of all is how to obtain better enforcement of laws already on the books in the environment and worker standards. It's interesting that the agreement negotiated by the Bush team goes a long way to do this in protecting intellectual property rights and the right to invest in Mexico, but is silent with respect to labor laws and the environment.

I want to remedy that. I'm interested in the impact of this agreement on the rest of the people, not just those investing in Mexico, but the rest of the people in this country and the rest of the people in their country.

So we need a supplemental agreement which would require each country to enforce its own environmental and worker standards. Each agreement should contain a wide variety of

procedural safeguards and remedies that we take for granted here in our country, such as easy access to the courts, public hearings, the right to present evidence, streamlined procedures and effective remedies. I will negotiate an agreement among the three parties that permits citizens of each country to bring suit in their own courts when they believe their domestic environmental protections and worker standards aren't being enforced.

Finally, I want to ask Congress to grant the authority to the president to continue negotiations on the impact of this treaty. What if we have a global agreement? How will that impact this? And most important, what happens if there is an unexpected surge in imports in one sector or another that displaces huge numbers of people in this economy?

We have in our present trade law, believe it or not—a lot of people don't know this—we have in our present trade law the capacity to protect our own workers if there is an unexpected surge in exports—or imports—into our country in some sectors of the economy, where the displacement is too great for us to manage, too great for us to retrain, too great for us to put people to work in other sectors.

That provision is contained for automobiles only in the North American Free Trade Agreement, and the remedy is weakened substantially.

I believe we should negotiate a parallel agreement that deals with the fact that neither the Mexicans nor the Americans know what the full consequences of this agreement are going to be. You can't get anybody to agree on how many jobs we're going to lose or how many jobs we're going to gain out of this. And I think it's fair to say that we don't want to do anything that's unnecessarily crippling to them, and they shouldn't want to do anything that's unnecessarily crippling to us.

So I will ask the Congress to give me

We've got to stop using our own taxpayers' money to export their own jobs. It's unbelievable that we actually spent more money under the Bush administration last year to train workers in Central America than we spent to train people in middle America who had lost their jobs because of foreign competition.

extended authority to negotiate another agreement to deal with the ability of both countries to move in the event there is an unexpected and overwhelming surge in imports into either country which would dislocate a whole sector of the economy so quickly that there's nothing we could do about it to overcome the economic impact.

Now, I want to say one more time, none of this will make a difference unless we have a new economic policy. The Bush administration has no strategy to create and preserve jobs in middle America, but they offer job training, low cost loans and technical assistance to companies that'll move to Central America. I know that most of you saw or now have heard the television show which documented the fact that the United States Agency for International Development has spent at least \$289 million for programs to encourage American businesses to shut down here and move to Central America and the Caribbean. In fact, your tax dollars paid for this advertisement. And I quote—you paid for this: Rosa Martinez produces apparel for the U.S. markets on her sewing machine in El Salvador. You can hire her for 57 cents an hour.

How do you feel about paying for that? You paid for low-interest loans to a plant in Tennessee to shut down in Tennessee, put 304 people on the street, and move to Central America. But that fellow running that plant couldn't get the same low-interest loan to modernize plant and equipment in Tennessee to keep those people working.

You paid for an employee of the United States government who was photographed in an interview saying that the workers in the country he was working in were more reliable than the workers in Miami, Florida. You paid for that.

It is no wonder that the American working people are so frightened of having this administration implement this trade agreement.

We've got to stop using our own taxpayers' money to export their own jobs. And it's unbelievable to me that we have actually spent more money under the Bush administration last year to train workers in Central America than we spent to train people in middle America who had lost their jobs because of foreign competition.

Now, that is their priorities. But let me say again, it's not enough just to stop what they are doing wrong. We have to do some new things right. And let me reel them off quickly:

We've got to change the tax system in this country. We should give people more incentives if they invest in new plants, new equipment, new small businesses, research and development, housing, the kinds of things that put the American people to work, and we should remove from the tax code the incentives to shut plants down here and move them overseas. That's what we should do.

This is entirely consistent with what the other wealthy countries do. This is the only country—you look at Germany and Japan, look at their tax code—that would say we're not going to give you an investment tax credit to modernize your equipment and your plant; but shut your plant down, move it overseas, we'll give you a tax deduction for shutting the plant down, we'll give you loss carried forward for the losses in the earlier years, keep your money down there and you'll never have to pay income tax on it in America.

It's all backward. We need a tax system that's an investment job-oriented tax system that says, we want

46 NAFTA: What's at Stake?

people to make money in America, but we want them to make it the old fashioned way—make millionaires by putting other Americans to work. That's very, very important.

I mentioned this once before and you clapped so I know you got it, but we've got to have a conversion strategy to do something with the defense money. The defense budget is going to be cut no matter who wins this election.

But look what has happened. What has happened under the present administration is all that money is going to the S&L bailout and the higher health care costs. I want to put it into jobs for Americans. It's important.

We've got to have—we have got to finally join the other advanced nations and have a national system to bring health costs in line with inflation and provide basic health care to all Ameri-

cans; one that preserves the strengths of our system, but deals with the problems.

We've got to bring energy usage into competitive lines with more efficiency and alternative uses of energy, more use of cheap American natural gas, renewable energy sources, and efficiency.

If we could be as efficient in every factory and office building as our foreign competitors, it would free up billions of dollars to reinvest in this economy. If we could bring health care cost in line with inflation, it would save the average American family \$1,200 a year and hundreds of billions of dollars for this economy, which could be reinvested for new jobs by the end of this decade.

In the end, whether the North American Free Trade Agreement is a good thing for America, is not a ques-

tion of foreign policy. It is a question of domestic policy.

If we are not strong at home, we will inevitably be weaker abroad. We have to build a new economy in which incomes and employment are rising and companies are growing; a society in which opportunity is expanding and hope comes alive again.

And so I say to you, my fellow Americans, we have to have the courage to change, and a part of that change should involve a closer relationship with Mexico now under better leadership than ever in my lifetime. If we have the determination to reject failed policies and the old labels of the past, if we have the vision to see and work toward a better tomorrow, then we need not fear the future. If we seize this day and shape this change, we can make our great country what it was meant to be. ■

NAFTA

Supplemental Scorecard

*By Clinton's Own Standard, Side Pacts
Announced 8/13/93 Do Not Measure Up*

It's the Same Bad Bush NAFTA

What Clinton Said Must Be Fixed
in a 10/92 NAFTA Policy Statement

"Fixed"

Included in
Negotiation
But...

Never Even
Reached the
Negotiating
Table

Shield domestic environmental and consumer laws from challenges			X
Safeguard U.S. manufacturing jobs and wage levels			X
Guarantee the safety of imported foods			X
Secure border environmental clean up, infrastructure build up		<p>X</p> <p>A border infrastructure bank is created which would lend money for water and sewage treatment projects. The U.S. must pay \$225 million. This money is not provided in NAFTA, the side agreements or the implementing legislation. Also not provided is the other \$13 billion to \$30 billion estimated to pay for NAFTA over 5 years. Administration sources claim the bank could generate \$6 billion in loans. Cleanup of toxic sites is not included. Sierra Club estimates a minimum of \$21 billion is necessary just for the environment.</p>	X
Establish worker adjustment assistance & retraining for those injured by NAFTA		<p>X</p> <p>The Administration finally put out a \$90 million/18 month plan that would only cover 25,000 workers. This plan is less than even the original Bush plan.</p>	
Assure NAFTA is good for American family farmers			X
Ensure highway safety (in face of harmonization proposals)			X
Create new \$ for worker retraining, environmental cleanup, border infrastructure			X
Provide "democratic accountability" in NAFTA			X

**What Clinton Said Must Be Fixed
NAFTA in a 10/92 Policy Statement**

Fixed

**Included in
Negotiation
But...**

**Never Even
Reached the
Negotiating
Table**

Open NAFTA to "citizen participation"			<p>X</p> <p>No changes to open NAFTA. Commission studies are only available to the public if 2/3 of the countries agree. Commissions' so-called public advisory boards have no real role.</p>
<p>Enforcement of environmental and labor standards in North America. (Formation of trilateral commissions on environment and labor)</p>		<p>X</p> <ul style="list-style-type: none"> • The Administration admits commissions are not legally connected to NAFTA, other countries could quit the side agreements and still get NAFTA benefits. • Commissions' main roles are merely cooperation, study of conditions. • Only non-enforcement of existing laws is reviewable. Any environmental or labor dispute caused by NAFTA's terms—such as challenges of laws as illegal barriers—cannot be addressed in the commissions. • The review process is unworkable, with numerous, complicated steps. Environmental panels take 470 days; labor panels over 1,100 days to complete reviews. • A 2/3 vote by NAFTA countries is necessary to even initiate a review (unlike NAFTA's commercial dispute rules which allow any one party to initiate). • No on-site investigation or subpoena power is allowed: only access to public documents. • Specific companies causing pollution in violation of laws cannot be targeted. • Government to government fines (the so-called teeth) have a maximum of only \$20 million, regardless of the actual damage. Failure to pay the fines could result in trade sanctions for Mexico only. Unless the Canadian provinces approve the side deals, Canada will not even be liable for the fines. 	

Key

The issues listed in this table were detailed by President Clinton in his October 4, 1992 NAFTA campaign policy statement. Clinton said these "fixes" would be necessary for the NAFTA, signed by President Bush, to be a good deal for most Americans. The Clinton Administration, however, has failed to achieve these "fixes" in the supplemental negotiations. In fact, the vast majority of these problems never even made it onto the negotiating table. The Citizens Trade Campaign, a coalition of 70 national consumer, environmental, labor, family farm, religious and civic organizations as well as the environment/consumer NAFTA coalition have also listed other important fixes which also never made it onto the negotiating table.

Prepared by Public Citizen, a consumer group founded by Ralph Nader.

For more information please contact Lori Wallach, (202) 546-4396 215 Pennsylvania Ave., S.E. Washington, D.C. 20003

Mr. NADER. What is so troubling is to hear, yesterday, Vice President Gore talk about the promises of his team before the election, without mentioning at all these 12 improvements in NAFTA to protect American workers, consumers, and their citizens' rights to participate in decisionmaking that he so glibly ignored.

The side agreements have been questioned as to their legal status under NAFTA and domestic law. I would like to address this to the pro-NAFTA people here.

Do you think, under our constitution, Congressman, the Congress can be side stepped by these side agreements and the President of the United States can enter into side agreements with a foreign country and expose our government to a maximum fine of \$20 million without having this agreement go through the U.S. Congress? That is unconstitutional.

Why has President Clinton not sent the side agreements to the U.S. Congress? The answer is Newt Gingrich and his band of corporate indentured Republicans who don't like the, "supra regulatory dimensions of the side agreements," even though they are toothless and unenforceable to begin with.

The White House sent to Congress, on November 5, implementing legislation for NAFTA which is over 300 pages, knowing that the vote on that document and NAFTA would be 12 days later, with two weekends, one the extended Veterans Day break in between.

This is not a decent interval, Mr. Chairman, for both the interested American public and the Congress, with its various committees, to absorb, deliberate, hear, and debate these materials.

I have associates who have fine law degrees down the street here who are trying to pour through these 300 and 400 pages and figure out what they mean with their cross-references under a pell-mell schedule, hardly having enough time to eat.

How can other American citizen groups and other labor groups have the time when they are out around the country? What is the rush? What is the crunch?

The answer: Ram it through Congress before millions of Americans learn more about NAFTA and the implementing legislation and all the goodies in it.

The White House is pursuing, also, an informal moratorium and announced relocations of factories to Mexico until after the NAFTA vote in Congress.

Now look at this for a moment, look at the cynical David Gergenistic shaped White House, this strategy of postponing plant closings until after a decisive vote was used in Canada by global corporations in 1988. The election there, in 1988, was followed by a rush of shutdowns and relocations.

One of these well-timed closings involved two plants of the Canadian subsidiary of Gillette, the parent company which President Clinton visited a few days ago in Boston. That subsidiary threw 590 Canadians out of work. It was loaded with debt, which were written off under Canadian taxes by the parent corporation in Boston.

Hardly, Mr. Chairman, hardly a model for Mr. Clinton to hold up, because now those same plants are going to go south to Mexico

for the same reasons that the plants in Canada went south to the United States, cheaper labor and benefits.

I sat with Mickey Kantor in April in his office near the White House. I asked him why is he for NAFTA? He said because it will increase exports. He didn't note that most of the exports are exporting factory equipment and reassembled products cycled back into the United States. He said they are going to go south anyway.

I suppose that means if the corner of your home has a gasoline fire, you just spray it through all the rooms and make it worse instead of reforming it.

And then he said something which I think is at the core of NAFTA. He said—looking at me straight in the eye—“We must assure that Salinas can name his successor.”

Imagine, Mr. Chairman, using a trade agreement by the United States Government to help perpetrate a dictatorial regime that has stolen elections, denied workers the right to form independent trade unions, denied Mexicans an independent judiciary, and generally destroyed the rule of law for its people and brutalized dissent.

Both human rights organizations in Mexico and political opponents in Mexico deserve an explanation from President Clinton and what they believe to be his taking sides less than 1 year before the 1994 Mexican elections.

Chapter 19 of the NAFTA agreement as written by the Bush administration establishes authorities for the binational panels which constitutional specialists, ranging from Alan Morrison to Bruce Fein, quite different ideologies, believe are unconstitutional. The White House has been silent on this matter.

I hope that the subcommittee will ask the White House for a legal opinion on this. These are the binational panels dealing with countervailing duties and dumping issues where appointed trade officers can overrule officials of the U.S. Government.

That is patently unconstitutional, and that is what is being asked of you to vote on next week. You should get a legal opinion. The tri-national panels that decide, among other issues, which of our Federal, State, local health and safety and other domestic living standards violate NAFTA and incur penalties, if they are not withdrawn, require that the five panel members be trade lawyers. Some of these are K Street corporate law firms.

Now, why isn't there a potential conflict of interest standard to make sure that they are not representing two masters?

There is nothing in what you are asked to vote on on conflict of interest.

Mr. CONYERS. Ralph, pardon the interruption. Could you indicate how much more time you are going to require?

Mr. NADER. Yes. Just about 7 more minutes.

Mr. CONYERS. All right. That is fine. Reverend Jackson has never waited this long in his career.

Mr. NADER. We are just trading off. I have waited for him, he has waited for me.

This represents a lot of research, Mr. Chairman. And we have not had the opportunity before Congress to put it on the record.

Mr. CONYERS. I am aware of that. That is why these hearings are so important.

Mr. NADER. I would also like the subcommittee to inquire of the legal counsel to the President as to whether they are violating chapter—title 18, section 1913, lobbying with appropriated moneys.

As you know, Congress prohibits the executive branch and the White House from using tax money to grassroots lobby Congress.

The two parties have often overlooked this because they believe their President, some day, will be a member of their party. I think the amount of lobbying out of the White House war room and the far-flung use of tax money to contact contributors and others of Members of Congress to lobby them to support NAFTA is a prima facie violation of this statute, and it should be inquired into.

I also asked in my letter to President Clinton that he publicly release all bilateral letters between the United States and Mexican Government, United States and Canadian Government, concerning asserted negotiations and side agreements; all letters agreeing to negotiations in the future between the respective governments; all letters by President Clinton or the administration to Members of Congress clarifying, reassuring, and promising, in regard to NAFTA; and documents on collateral "pork" such as establishing a \$10 million research center on international trade at the University of Texas, just happens to be in Congressman Pickle's district.

Pro-NAFTA proponents in Congress, Clinton administration, business associations, and among narrow-gauged economists, have several common characteristics. One is that just about none of them have read the bulky two volume NAFTA agreement.

One hundred and fifty economists who signed on to the Clinton NAFTA were called by a people's radio network in Florida. Nineteen of them said they read the agreement. The rest said they have not read the agreement, including Paul Samuelson.

I think that illustrates the kind of knee jerk, bandwagon mentality behind NAFTA.

Also, it is important to refer to the Joint Economic Committee studies debunking the corporate funded think tanks that have put out these retable studies saying they are going to be job gains.

The Joint Economic Committee said there will be at least 5,000—500,000 jobs lost.

Finally, let me just note that the core question is whether our modest democracy should enter into an economic union with a repressive, dictatorial regime that cannot, will not, and doesn't want to enforce the statutes for workers, consumers, parliamentary elections, and environment that they have told President Clinton that they will enforce.

I mentioned in my testimony how business people have been thrown in jail in Mexico. No due process. They have been harassed and intimidated. Some of their stories have been on page 1 of the Wall Street Journal.

I also mention in my testimony that our country needs to negotiate "pull up" trade agreements so that countries with lower labor, consumer, and environmental standards are pulled up by the pacts toward our own or even higher standards.

The majority of the people in Mexico are opposed to this agreement. The alternative political parties are. The human rights parties are. And so when Mr. Krugman says that Mexico will turn its back and become jingo-istic and exclusive and withdrawn, he may

be referring to the dictatorial regime. He is not referring to the majority of the American—of the Mexican people and the groups who want a democracy so their economy can grow, which is the prerequisite for free trade.

Thank you.

Mr. CONYERS. Thank you for a very important statement, Mr. Nader.

[The prepared statement of Mr. Nader follows:]

Statement by Ralph Nader
 Before the House Committee on Government Operations
 Subcommittee on Housing, Employment and Aviation,
 U.S. Congress
 on
 The North American Free Trade Agreement
 November 10, 1993

Mr. Chairman, and members of the committee, thank you for providing me an opportunity to testify before your committee today. I request, with the permission of the committee that my entire statement and its attachments be made part of the record. The North American Free Trade Agreement, NAFTA, as it is called by its creators, is not a trade agreement in any traditional sense. It is an international autocratic governance agreement that deeply invades the internal democratic sovereignty of the United States to preserve and advance its own health, safety and workplace standards.

NAFTA will undermine U.S. and state health, safety and environmental standards by (1) requiring harmonization of standards; (2) imposing limitations on the goals the U.S. may pursue in its food safety laws; (3) limiting the means the U.S. may use to promote health, safety and environmental goals; (4) requiring the U.S. to permit imports that do not comply with its health, safety and environmental standards or face trade penalties; and (5) establishing secret tribunals for resolving trade challenges, including those directed at health, safety and environmental measures, that is stacked against consumer and environmental interests.

According to many knowledgeable observers, NAFTA will have a

disproportionate impact on African Americans and other minorities.

The key point to remember is that though NAFTA restricts the democratic rights of all Americans, it is drawn primarily to serve the interests of a narrow special-interest group: the owners of large corporations. As the NAACP noted in its July 14, 1993 resolution opposing NAFTA, "NAFTA is not primarily a free trade agreement. Rather it is an investment agreement designed to protect investments which U.S. companies make in Mexico." Under a NAFTA regime those outside this protected class will be especially vulnerable to economic loss. As the NAACP President, the Reverend Benjamin Chavis, has pointed out: "African American workers could bear the brunt of the downside of the trade agreement. The downside is the relocation of American industries to Mexico. African American workers are concentrated in urban communities and employed by flight-prone industries. These industries -- textile and apparel factories and auto assembly plants -- currently have large percentages of African American workers. These industries are in communities that already suffer high unemployment and are most vulnerable to the social upheaval that is brought about by higher unemployment." Similar effects can be anticipated by Latinos, Asian Americans and other communities, where working people are left with no recourse in the face of accelerating corporate flight.

This month's executive council meeting of the Coalition of Black Trade Unionists was reportedly dominated by discussion of

NAFTA's deleterious effects, ranging from job loss, to hazardous waste exposure, to generalized downward pressure on U.S. wages. Bill Lucy, the Coalition president, noted that such NAFTA-generated shocks would be especially damaging coming in the current economic-political context: "You've got the continued drag on the urban economy resulting from the prior recession. You've got the federal government unable or unwilling to put resources into the community, given its budget deficit, and an unwillingness of taxpayers to raise taxes to meet the service needs of the community."

The issue in NAFTA is not a question of how the U.S. will fare vis a vis Mexico, but rather how the working people of both countries will be impacted by the dealings of each country's corporate power brokers. NAFTA exacerbates a vicious cycle of exploitation under which Washington further entrenches a repressive Mexican regime, which in turn holds down local wages, which in turn lure U.S. firms, which in turn leave U.S. workers dispossessed and forced to seek retraining from Washington for jobs that don't exist.

The Labor Council for Latin American Advancement (which represents 1.5 million Hispanic trade unionists) pointed out in its recent statement of opposition to NAFTA that the cycle strikes with a sharp racially disproportionate impact. The Council noted that "minority workers are more likely to be laid off during plant shutdowns and furloughs, with Labor Department reports indicating that between 1987 and 1991, 49 percent of

Hispanic workers and 12 percent of black workers were more likely than whites to be displaced." It added that, according to the Labor Department data, it also "remains more difficult for minority workers to find new employment... Of the Latino workers displaced from 1985-1989, more than a third were still officially unemployed or had dropped out of the labor force as of January, 1990."

Everything NAFTA touches becomes more autocratic and less democratic, more remote from the public's right to know, participate and decide, and more concentrating of power in the hands of multinational corporations. From its morbidly secretive conception by corporate lobbyists and their governmental allies to the secretive, exclusive and essentially unreviewable decisions by international tribunals that are wholly alien to our country's judicial and administrative law practices, NAFTA diminishes U.S. democracy. The trade agreement subordinates consumer, environmental and worker health and safety considerations to its commercial dictates largely designed by global corporations. The repeated drumbeat in the hundreds of pages of NAFTA and GATT revisions is that commercial trade imperatives -- read "corporate mercantilism" -- are what non-commercial values, such as health, safety and conservation, must bend beneath.

Already, in recent years under trade agreements such as the U.S.-Canadian trade agreement and GATT, the General Agreement on Tariffs and Trade, nations, provoked by their dominant companies,

have been challenging internal health, safety and other domestic standards as non-tariff trade barriers. Asbestos, acid rain, drug prices, policies on raw log exports, tuna-dolphin, milk safety, tobacco, recycling, food labelling and auto insurance are some of the recent, pending or tentative forays pushing existing trade agreement envelopes in anticipation of the giant GO signals for such invasions of sovereignty under NAFTA and the GATT revisions. While all trade agreements involve some relinquishment of national sovereignty -- as with setting tariffs -- these new world corporate order agreements take away too much democratic self-determination and replace it with antidemocratic procedures and decisions far beyond the reach of voters, consumers, workers and taxpayers.

What's really at work in all of these proposed agreements (NAFTA and GATT revisions) is the drive by multinational companies to break free from the constraints of national sovereignty. They want global commerce, but without democratic global law to hold them accountable.

NAFTA can be described as a "pull down" trade agreement, in contrast to the European Economic Community's "pull up" conditions placed, for example, upon Spain, Portugal and Greece as conditions for entry, such as parliamentary democracies, worker safety nets and rights and the like.

In contrast, by serving to further entrench the Mexican dictatorial regime and its tight oligarchy of concentrated wealth,

NAFTA is inimical to the causes of human rights, political and economic democracy and to the rule of law that millions of Mexicans are seeking in order to uplift their conditions. Lester Thurow, the MIT economist, said that Mexico would not qualify for entry into the European Economic Community for these reasons.

Americans are not ready to have their hard-fought standards for motor vehicle safety, food safety, fuel efficiency, pollution controls, recycling and other conservation measures, to mention a few, vulnerable to challenge by foreign countries as non-tariff trade barriers before secretive, unreviewable tribunals that exclude all citizens from participation and appeal in any real sense. Moreover, neither do Americans want to be restrained by these tribunals from advancing and strengthening these consumer, worker, and environmental standards. It is difficult enough to have to deal with Albany, Sacramento and Washington, without another layer of autocratic bureaucracy in Mexico City, Geneva and Rome making decisions beyond the reach of American citizens.

NAFTA and the GATT revisions would give foreign countries and their powerful corporations a field day in dragging down higher standards of living, health and safety in the United States to lower country common denominators. These agreements are filled with the word "harmonization" which really means for the U.S. "harmonization downward" for its standards. Harmonization of Mexican and U.S. truck safety standards can only mean harmonization downward for our more stringent standards. Compulsory drug licensing laws are already being repealed (eg.

Canada) to comply with drug patent requirements in these trade agreements and, not incidentally, to begin the increase in drug prices in countries which have to "harmonize" with the drug industry's demand for drug monopoly patents. In all these downward pulls, poorer people receive the far harsher effects on their livelihoods.

NAFTA and the GATT revisions are intended to subordinate our democracy and our higher health, safety and environmental standards to international autocratic regimes. By pulling these standards down, they help keep lower standards down in less developed and poorer countries. These trade agreements should be defeated by the Congress, and they will be with the aroused and informed determination of citizens throughout this country to make their positions known to their Representatives. These trade agreements need to be defeated and replaced with renegotiated "pull up" agreements that defend and advance the economic and safety conditions in this country and help less fortunate nations to move upward through greater democracy.

President Clinton, in his pre-election NAFTA address on October 4, 1992, listed some specific improvements that had to be made to NAFTA (including democratizing its procedures, and adding provisions for resource conservation, food and truck safety, labor and farmer safeguards etc.) in any side agreements before he would declare himself in favor of the pact. About a dozen of those improvements never made it to the negotiating table that produced the side agreements President Clinton signed a few weeks

ago with Mexico and Canada. The one precondition that did make it through dealt with enforcement and can be described as labyrinthic, weak, and unenforceable, as a practical matter, to achieve its ends. The top Mexican trade negotiator described it to his political colleagues as inconsequential.

In effect, President Clinton is pressing for the Bush NAFTA. The side agreements have been questioned as to their status under NAFTA and domestic law. Last week Clinton administration lawyers said that if any of the signatory governments withdrew or did not comply with the side agreements, they legally would still receive the benefits of NAFTA.

Late on Friday, November 5, 1993, the President sent the NAFTA implementing legislation, which is over 300 pages, to Congress, knowing the vote on that document and NAFTA would be 12 days later with two weekends (one the extended Veterans' Day break) in between. This is not a decent interval for both the interested public and the Congress, with its various committees, to absorb, deliberate, hear and debate these materials.

The White House is pursuing an informal moratorium on announced relocations of factories to Mexico until after the NAFTA vote in Congress. This strategy of postponing plant closings until after a decisive vote was used in Canada in 1988. The election was followed by a rush of shutdowns and relocations. One of these well-timed closings involved two plants of the Canadian subsidiary of Gillette -- the parent company which

President Clinton visited a few days ago in Boston -- and threw 590 Canadians out of work.

Mickey Kantor, the U.S. Trade Representative, has gone so far as to say that NAFTA should be approved because "we must assure that Salinas can name his successor." Imagine, using a trade agreement to help perpetuate a dictatorial regime that has stolen elections, denied workers the right to form independent trade unions, denied Mexicans an independent judiciary, and generally destroyed the rule of law for the people, and blocked law enforcement against the wealthy and the ruling party in one brutalized context after another. Both human rights organizations and political opponents in Mexico deserve an explanation from President Clinton on what they believe to be his taking sides less than a year before the 1994 Mexican elections.

Chapter 19 of the NAFTA agreement, as written by the Bush administration, establishes authorities for the bi-national panels which constitutional specialists, ranging from Alan Morrison to Bruce Fein, believe are unconstitutional. The White House has been silent on this matter.

The tri-national panels that decide, among other issues, which of our federal, state and local health, safety and other domestic living standards violate NAFTA and incur penalties if they are not withdrawn, require that the five panel members be trade lawyers. This is a condition rife with potential conflicts of interest, but the Bush NAFTA and Clinton side agreements do not establish conflict-of-interest standards to keep "conflicted"

K-Street and other lawyers from these panels.

There are various categories of official NAFTA-related documents which should be publicly released. These include:

- A. All bilateral letters between the U.S. and Mexican governments, and the U.S. and Canadian governments concerning assorted renegotiations and the side agreements;
- B. All letters agreeing to negotiations in the future between the respective governments;
- C. All letters by President Clinton or his administration to members of Congress clarifying, reassuring and promising in regard to NAFTA; and
- D. Documents on collateral "pork" such as establishing a \$10 million dollar Research Center on International Trade at the University of Texas.

Pro-NAFTA proponents in Congress, the Clinton administration, business associations and among narrow-gauged economists have several common characteristics. One is that just about none of them have read the bulky two volume NAFTA agreement. The second is that they view NAFTA in purely economic terms, within narrow trade model assumptions, and ignore the political and non-law enforcement provisions that embody its corporatist ideology.

As a result, proponents make the most falsely decisive predictions about NAFTA's impact on the U.S., Mexican and Canadian economies -- predictions that avoid the known empirical records of Mexico's dictatorial, repressive regime and the current behavior of new U.S. factories operating just across the border in Mexico in producing awful polluting and workplace conditions.

NAFTA has not been subject to grassroots discussion and debate by the American people who have been shut out by the very secretive and autocratic methods that NAFTA-critics have charged this supragovernmental agreement with promoting in the future. Negotiated in secrecy by Bush functionaries and corporate lobbyists, NAFTA moves to Congress under an autocratic "Fast Track" law that limits debate to 20 hours and prohibits any amendments to this 1,150 page deal. This alone should put up a yellow light to citizens who believe in deliberative democracy and legislative judgments on what is wrong and what is right in these pages.

The core question is whether our modest democracy should enter into an economic union with a repressive dictatorial regime, composed of a few very wealthy ruling families, government officials and their police power.

Opponents of the Bush NAFTA say no, because worker, consumer and environmental laws in Mexico won't be enforced since the ruling oligarchy profits from their non-enforcement. And the oppressed Mexican people do not have the democratic rights,

remedies and free elections to do anything about it.

As many an American small business person can sadly narrate, Mexico is not a place where the rule of law reigns. The rule of power, the rule of the bribe (*mordida*) are what counts. In business dealings, Americans have been thrown in jail without due process, had their contracts broken, their assets stolen and some of their stories reported on page one of the *Wall St Journal*.

These businesspeople got a taste of what the ordinary Mexican worker, consumer, citizen or brutalized peaceful protestors receives regularly. The 60 year long ruling party, known as PRI, routinely steals elections, including the 1988 election that put President Salinas in power. For the masses of Mexico there are no independent courts and few civil rights or civil liberties, and there is virtually no enforcement of minimum wage or pollution laws or laws on worker health and safety. Typical of a dictatorial plutocracy, if you are rich, powerful or otherwise well-connected, the paper laws can be invoked to support your position.

Laws that are not enforced under NAFTA become unfair competitive advantages. For example, an American factory closes down in Missouri and goes to Mexico where even weak worker, environmental, tax and other laws go unenforced. This transplanted factory can then sell its products back into the U.S. in competition with a factory that stayed in the U.S. and followed the rules.

What's more, NAFTA, contrary to its proponents' false

claims, exposes our federal, state and local laws on health and safety, for instance, to challenge by foreign countries before trade tribunals whose procedural rules prevent citizens and even state governments from participating in any way.

Trade dominates health and safety values under NAFTA and revised GATT. It's already happening. Under the U.S.-Canada trade agreement of 1988, Canada challenged in a U.S. federal court our asbestos phaseout as a trade barrier keeping out Canadian asbestos.

The asbestos phaseout was implemented to protect workers and consumers from a very hazardous substance that has taken tens of thousands of American lives.

U.S. citizens have demanded local, state and federal safety laws to protect their families, workplaces and the environment. Why, they ask, should secret trade tribunals in Mexico City, Rome and Geneva contradict what our nation, our states and our local governments decide is best for their people in non-trade areas such as health and safety?

In conclusion, first, our country needs to negotiate "pull up" trade agreements so that countries with lower labor, consumer and environmental standards are pulled up by the pacts toward our own or even higher standards. Second, consumer and environmental health and safety matters between nations should be dealt with by separate treaties and agreements and not subordinated, as under NAFTA, to international commercial trade imperatives. Third, should NAFTA pass, it will have a long tail next year with the

expanded invasions of revised GATT coming to Congress, plant relocations to Mexico, and the growing awareness of the American people that their government in Washington is not looking out for their interests.

Thank you.

Mr. CONYERS. Rev. Jesse Louis Jackson, who, besides being the National Rainbow Coalition president, is the only African American to have been a major Presidential candidate, garnering somewhere in the neighborhood of 7 million votes.

He has registered more people in America than anyone else. He has probably walked more picket lines, served in more attempts to bring common ground to people of all race, class, and gender, not only in this country but throughout the world.

He is now the U.S. Senator from Washington, DC, an elected position in which his advocacy for Statehood is well-known.

There are other things that we could say about Reverend Jackson, but it is far more important that he make a statement on this important subject, and I am pleased that his schedule would permit him to join us here this afternoon.

STATEMENT OF JESSE JACKSON, PRESIDENT, NATIONAL RAINBOW COALITION

Mr. JACKSON. Thank you, Mr. Chairman, Chairman Peterson, Congresspersons Collins, Zeliff, and Shays.

Let me express my thanks for the opportunity to testify before you today, to express my thanks to Ralph Nader for his research and diligence and commitment.

Ralph Nader and I have tried diligently, in the course of the last few days, to make ourselves available to President Clinton and Al Gore to debate with them as Gore did with Perot last night.

We would be anxious to have a face-to-face format under any conditions that they set up.

I am amazed at President Clinton trying to ram down the throats of the American people the policies of the man that he defeated.

The Head of State in Canada who was one of the architects of this plan has been defeated, virtually 178 to 2. A co-architect, Mr. Bush, was defeated. And if the people in Mexico could vote and their vote counted, Mr. Salinas would be defeated as well.

The people of Canada, the United States, and Mexico have rejected this proposition. We, as a Nation at our best, established several basic principles of foreign policy, international law, and self-determination, human rights, economic justice. Mexico falls short on all four planks.

I am a bit ashamed to see so many Democrats who we thought had changed their character but only changed their politics.

Some of the same Democrats who tolerated, over 1964 and 1965, the horrendous conditions in which blacks and Mexican-Americans lived, are now willing to shift that same toleration south of the Rio Grande. Those who tolerated racial oppression, gender inequality, worker exploitation, changed their behavior only when the law changed in this country.

They were willing—they were often willing to wink at enforcement and now shift south of the border to Mexico.

I want to make this clear to the foes and the supporters. I believe in the deliberative track with Mexico, not a fast track. A deliberative track will give us time to think it through and work it out. We share 2,000 miles of border with 90 million Mexican neighbors, our allies. Neither of us are going anywhere any time soon. We need

a deliberative track, not a fast track, and to build a bridge between the United States and Mexico and not a cliff.

My interests are neither narrow and nationalistic, nor protectionist, nor racist. I want a mutually beneficial fair deal for Mexicans, Americans, and Canadians.

For the record, I believe in free trade and fair trade; but I further want to argue that I would support a United States-Canadian Mexican common market, not a free trade zone. It does not take into account common market considerations.

If Mexican workers could make just \$4.25 an hour, it would improve their conditions. Furthermore, it would enable them to buy what we produce. And, thus, it would be growth for them and expansion for us, a mutually beneficial arrangement.

I can see how most right wing Republicans can wink their eye at Mexican conditions. They did so in South Carolina where I grew up, in Mississippi, Alabama, and Georgia. I can understand that orientation. But not for this new group of enlightened Democrats in 1993. It is a great source of disappointment as we debate this rather divisive, unnecessarily divisive issue.

There is a great deal of pain in our Nation today, perhaps as much as I have ever witnessed. In my work, I travel a good deal and have the opportunity to talk with working people all across the country. They want to abandon—to have hope, to believe that the future holds promise for themselves and their children. They want a job that pays enough to feed them and their families.

They don't want workfare. They don't need welfare. They just want to work and to get paid. When they work, they want to know that their job will be there as long as they have a chance to be productive. They want to know that if their babies get sick, they can get medical care.

As we approach the 21st century as the wealthiest and the most powerful Nation in the history of the world, these wants and needs are all too often not being met.

Among our brothers and sisters in the minority communities, the absence of a good job has become the norm. We have become socially conditioned to high urban unemployment. Sadly, too many of us have come to accept these conditions as a modern fact of life.

In 1992, however, the Nation voted overwhelmingly for change. They voted to replace a President who was so far removed from the average American, he proclaimed the discovery of the bar code when he visited the supermarket during his campaign.

The theme of the campaign was, "It is the economy, stupid" and the issue, was jobs, jobs, jobs. President Clinton campaigned on a putting-people-first platform and promised high-tech jobs, retraining programs, substantial investment in our Nation's future, health care, improved labor relations, indeed, economic stimulus.

NAFTA is economic hemorrhage. Unfortunately, his \$200 billion, 4-year investment plan was reduced to \$16 billion and then shrunk to only a few hundred million by the deficit hogs.

One of the—the wonderful job training program virtually disappeared from the budget. We face a crisis in our cities, plants closing, jobs leaving, tax base eroding, school systems traumatized and the urban policy, more police rather than more teachers, more

jails rather than more schools, more mandatory sentencing and more ways to electrocute. We need to go another way.

Today there are 16 to 18 million people unemployed or underemployed. We include those who are involuntarily working part time, those who have given up looking.

Official black unemployment is 13 percent, with Hispanic unemployment at 11 percent. Among our young black people, unemployment is over 40 percent; Hispanic teenage unemployment, 30 percent; Native Americans, around 50 percent. These figures for unemployment are shocking.

What is even more shocking is when you look at life for many of those lucky enough to find jobs. Among the 19—according to the 1990 census, 14.4 million year-round, full-time workers, 18 percent of the total, earn below the poverty level of \$14,000 per year.

So we can see that as we contemplate these numbers that we are failing to create jobs that can support a family. When plants close, manufacturing workers, all too often, are forced on to low-paying, no benefit jobs in the service industry.

The fact is the workers that will be hurt by this deal—the textile workers, all 600,000 of them, the other workers, electronics workers—there is no promise these workers will get a job when their jobs leave. They are simply being left to be expended and run through. And it is not fair.

In this context, we must view the North American Free Trade Agreement—which I wish were a North American common market, long-term plan; before we did Europe and Japan, the Marshall and MacArthur Plan—a long-term development plan that was mutually beneficial. It let them grow and let us expand.

Mexicans deserve no less of a development plan than Europeans and the Japanese had. There are two sets of rules on the development of Europe and Japan, over and against Mexico, which is next door.

Let us remember that this agreement was negotiated in secret by the Bush administration. Workers, environmentalists, farmers and consumer advocates were not at the table; and yet workers, farmers, environmentalists, and consumer advocates are affected by this.

We never voted on this. Nor were our representatives at the table to even to deliberate and put forth what was then called a fast-track, trickle down theory.

It was conceived of as a source of enormous profits for Mr. Bush's friends in high places in multinational corporations: Profits up, wages down, workers busted.

Mr. Clinton understood this as a candidate, made this case, critique the shortcomings of Bush's NAFTA in his October 4, speech. Unfortunately, Mr. Clinton's solutions—namely the supplemental agreements—fall far short of dealing with the fundamental problem of NAFTA, which is that there cannot be a free trade agreement between nations with such huge disparities in their economies and their political systems.

We share 2,000 miles of border with Mexico. The biggest disparity between two neighbors in the world. And that is why we must end the cliff and create a bridge in that sense to develop them both.

Why do I make the case, Mr. Shays, for common market? It was a sound idea for you to talk about having a common market. But Spain, Greece, and Portugal are substantially below their living stands. If they just signed that deal, all the jobs would have gone rolling over into the poorer countries and the profits in the wealthier ones. They took the time to work out a social contract and build a relationship and reduce the hostilities.

Right now many Americans are screaming that Mexicans are taking our jobs, which is not true. And the more they say it, the more racist it sounds. Racist. Mexicans are not taking jobs from us. United States corporations are taking jobs to Mexico to exploit them and undercut our own workers. Mexicans are not taking jobs from us.

The U.S. Government is greasing the skids for the heavy investors, the high political rollers, to take the plants there. And when these large agri-businesses, ConAgra, Cargill, are rolling over into Mexico, those Mexican farmers will be put out of business; and they will come dashing across the border to meet other depressed unemployed American family farmers.

Look at how this agreement will affect African Americans. In all these talk shows they have not quite made room to hear our point of view. That is why we tried to get on that debate last night, because we have a point of view different than Mr. Perot's point of view, a point of view different than Pat Buchanan's point of view.

And ours is not narrowly nationalistic. It is not building a wall. It is not racist. It is not protectionist. It is discussing a mutually beneficial arrangement. The hardest hit industries are expected to include the apparel, and automobile manufacturing, food processing, and electronic assembly. All employ large numbers of minorities and women.

Latino workers are more likely to have nonmanagerial jobs and working in inner cities and rural areas where job loss to Mexico aren't likely to be replaced.

NAFTA contains no language providing financial assistance, job training, or alternative employment for United States workers whose jobs are relocated to Mexico.

Experience clearly illustrates the greater difficulty of black and Latino workers at finding new jobs that pay them comparable wages where they have been displaced from manufacturing jobs. That will be true if this deal goes through.

Since Mr. Nader has dealt in some detail with some other ramification, let me give you simply one deal about this secret five-person czar board.

Suppose in Michigan, Congressman Conyers, that there is an electronics company finally owned by an African American, owned by a Latino. And finally, because they live in something called the enterprise zone in urban Detroit, they live in the enterprise zone, now the government makes them a long-term business loan, Congresswoman Collins, in that zone. And the pigeon bonds from UAW are used to help subsidize that company in the urban enterprise zone to make it competitive with whites who have not faced redlining, to bring them up. And then the Mexican Government protests that arrangement as, in fact, blocking them. Those workers cannot then go to court and make a case. They must face a five-person

board of adjudicators who are completely unaccountable because, all of a sudden, now the domestic enterprise zone is not encompassed with the new international free trade zone.

I rest my case.

Mr. CONYERS. Thank you so much, Reverend Jackson and Ralph Nader.

Bill Zeliff, you have been very courteous in listening to the cases presented by our two witnesses, and I would like to recognize you now.

Mr. ZELIFF. Thank you very much, Mr. Chairman. I will start with Ralph Nader.

If in New Hampshire—first, your reference to the New Hampshire legislature and the offer to give me background material. I would love to have that, if you believe that NAFTA will accelerate job loss in the United States and put downward pressure on wages and working conditions.

Having said that, and with that in mind, how do you respond to the following facts: AFL-CIO testified against the Caribbean Basin Initiative in 1982 believing that freer trade with those lower-wage nations would serve only to weaken the U.S. industrial base?

In only 4 years, the U.S. trade balance increased from a 1986 deficit of \$200 million to a 1990 trade balance of \$1.8 billion, and U.S. exports to the Caribbean Basin Initiative countries increased from \$5.6 billion to \$9.3 billion, an average increase of 12.1 percent per year.

Mr. NADER. Well, I don't know what those figures are based on. That could be export capital equipment. It could be subsidized exports under the Caribbean initiative. It could be any number of things.

I am just putting a common sense proposition before you. If you have a stable dictatorship that protects United States investment, if you have brand-new equipment and Mexican workers are trained to use this new equipment, they are making \$1 an hour, how can workers in the United States, at \$10 or \$15 an hour compete?

Now maybe there is some sort of fool's gold that we are not aware of, but it does seem that there is a substantial lure and pull, especially since they don't have to invest in pollution control equipment south of the border.

Mr. ZELIFF. One of the things that—first let me compliment you on the detail and the commitment that you have made to this project. You, obviously, have spent a lot of time on it.

One of the things that we learned, Mr. Chairman, from our trip—and we had a chance to go down and visit along the border as well as Chihuahua, inland, and Mexico City. We covered a lot of ground in 4 days and asked the question to get at the average wage. And the average wage is more like \$3.61 an hour. Admittedly, not everyone is at minimum wage. It includes some benefits at well, like vacation benefits, Christmas benefits, health care plans, social security.

Admittedly, you know, I think that there is a variance. And we are trying to get at some of the—some of the facts here.

In looking at the trade since 1986, the balance of trade in America and Mexico, we have gone from a \$4.9 billion negative balance to a \$6 billion plus.

In New Hampshire, we have gone—2½ times increased exports since 1986.

How would you look at that relative to the discussion and the presentation of your material?

Mr. NADER. Well, as you know, my principal emphasis is on the diminishing of our democratic rights here on the health and safety, nontariff trade barriers.

But just to give you an example, in Michigan, a plant with 1,100 workers in two stages, closed down; the workers were laid off; and it was shipped to Mexico.

On the last day of the plant's operation, the women who were working there were packing their tools and sending them down to Mexico. The value of those tools are part of the billions of dollars in exports that Vice President Gore referred to last night.

Mexico, as you know, was very, shall we say, nationalistic, until a few years ago. So there is an antagonism to bringing in some of this capital equipment. But if this capital equipment is replacing jobs in this country, in order to relocate them in Mexico, that looks good on the export line, doesn't it?

But we know what it really means in the long run.

Mr. ZELIFF. Well, and, again, there are obviously major points of disagreement. Some would say that, as capital is invested and as Mexico improves their economy and raises their standard of living, they will be able to buy more American imports.

Presently they spend 70 cents on \$1 of import dollar on American goods. The better their economy is, the better their standard of living over the next few years, the more they are going to have to be able to spend on our exports, their imports.

Mr. JACKSON. Would you apply that logic to Cuba?

Mr. ZELIFF. Well, we are not dealing with Cuba right now. But that is an interesting question.

Mr. JACKSON. People who speak Spanish, both of them in the same hemisphere, both same principle, both of them dictators. I am just asking you to apply the same principle.

Mr. ZELIFF. Let me just mention to you, Jesse, that you mention it was the Bush document. And, again, I respect the commitment that you made and the detail and the hard work that you put forth. This was a Reagan initiative. This goes back to 1982.

Mr. JACKSON. I apologize.

Mr. ZELIFF. No. No. It is not a matter of apology. But I want to make a point.

There have been over 10 years of meetings, over 1,000 public meetings. And I think, you know, in terms of it being negotiated in secret, I think there is a lot to be said that this has been a long-term project. And I just would like to make that point.

I would also like to make a point, as far as jobs moving south, we have a firm, Clarastat, in Dover, that moved about 1 year ago to Mexico. And they folded up their tent, went down. They would have moved anyway, and other firms have that ability to move south now.

Mr. JACKSON. Mr. Zeliff, let me make this point clear, because, in this instance, you know, we may not be as far apart as the image is if we think this thing through a minute.

I believe in free trade. I believe the core of it must be fair trade. I believe in free press, must be fair press. I believe we should not have a wall between us and Mexico. I believe that we should work out a mutually beneficial trade arrangement.

The tension over free traders in this deal is that there is a cliff that people are falling off of rather than a bridge to go across.

Now, if Mr. Clinton had modified this to include a real commitment to their democratic institutions being developed, for example, strong, independent free trade unions, which is infrastructure development, and credible elections, and their well-founded economic development, North American Development Bank on both sides of the Rio Grand and raised their minimum wage with enforceable laws on environment, it is a good deal.

What is the big deal about not demanding of Mexico democratic institutions as a prerequisite for joining this proposition? It is what we did to Spain, Greece, and Portugal. It just—I am only asking that we be consistent.

That is why, when people start talking about building walls between us and Mexico, and they are against NAFTA, they are not talking about what I am talking about when they start talking some narrow nationalism about America first and isolation. We are not talking about the same thing.

We are talking about we should have an economic common market with Mexico, not just something called free trade zone.

Mr. ZELIFF. But Mexico is emerging. Their economy is emerging and growing. They have tremendous gains since 1986, since they joined the GATT.

Mr. JACKSON. Their unions are not emerging and growing. Their democratic elections are not emerging and growing. Their courts are not emerging and growing.

We are in a mess right now in Haiti, because we got money on both sides of the deal. We invested in dictators. We trained the military that is now defying us. We made them. We trained them. We armed them.

Then we went from supporting the dictatorial element that secured our cheap labor base in Mexico—I mean in Haiti. They overthrew a government that wanted to raise minimum wage to 50 cents an hour.

Now we are supporting the democratization of Haiti. Now we are trapped on both sides. We are on both sides of that war. So why make the same mistake again?

Mr. NADER. You know that if you compare productivity and wages in Mexico in 1980, that is the base year, the productivity is up over 40 percent. The wages are down 30 percent. The wages today are higher in Mexico than they were in 1987. But in 19—at the base year of 1980, 13 years, productivity up, wages down, adjusted for inflation.

Why? Because of the Mexican dictatorial government's cheap labor repression.

And so how can you have a level playing field between a democracy and a dictatorship and these free trade principles?

Mr. ZELIFF. I will try to answer that. But I got to let my turn—let somebody else take a turn according to the chairman here. I will try to get to that.

Mr. CONYERS. Thank you very much, Bill.

Collin Peterson, the subcommittee chairman, has begun a series of hearings that date back to May of this year. This is the ninth hearing. We have heard people from all points of view, in and out of government.

And I wanted to take this moment to commend him and recognize him for any observations that he may have at this point.

Mr. PETERSON. Thank you, Mr. Chairman. I want to thank the staff and your staff for helping us. I think we have dug up a lot of good information which obviously hasn't changed my point of view.

But, Mr. Nader, I want to talk about one of the things that happened as I was studying this. You may or may not be aware of our situation with wheat in the Canadian agreement, where our negotiators either—they either knew better or they—it is hard to know what they were up to.

Anyway, they screwed up, and Mexico—or Canada has a 50 cent a bushel rail subsidy. And they allowed that to be written into the agreement. This is just one of the things that they missed. And so we used to have three-fourths of the Mexican wheat and barley market, and now the Canadians have three-fourths of the market.

We took this to a panel. The panel met, had two Americans, one Canadian. We lost. So when I started looking into this, figuring, you know, I started asking questions: How do you get on this panel? Who are these people?

And the more you look into this, I mean this is a great deal. And I think all of us want to have fair trade. We want to make things better for all of us in North America. But I think from my looking at this, if we are ever going to accomplish that, we have got to put some light on the way this trade office operates and the way this whole operation operates. I mean it is a great deal.

You know, these big corporations have folks on their payroll that follow these people around. I think they purposely keep this trade office small so that they don't let anybody else into it. It is only the Cargill-types that get appointed and all of those that end up within this trade office.

So I guess my question to you is: Is there some way that we can put some spotlight on this once we defeat NAFTA and try to put some pressure on to change the way that we do these trade negotiations so we can get ordinary people involved and we—you know, I don't think the American people understand that these things are all done in secret, that you can't find out what is going on.

I think both of you have really done an excellent job today in pointing out some very good information. I wish you would have been there last night debating the Vice President.

Mr. JACKSON. We tried.

Mr. PETERSON. So I guess I——

Mr. NADER. I think you point——

Mr. PETERSON. If there is some way, we would like to work with you to try to expose this and see if we can do something to change this, because we have got the GATT thing coming right along after this. That is worse than NAFTA.

And I don't think any of this is going to change unless we change the process within that trade office. And I don't know if you have any ideas on how to go about this or any information.

Mr. NADER. Yes. I think you are quite correct.

Increasingly, decisions relating to international trade by our government and adjudications are pulling further and further away from our Administrative Procedure Act, our openness, public docket, review in the courts. So you have basically an extrajudicial arena of secret decisionmaking that is unaccountable.

You remember the truck example I just gave earlier? Well, that was an amendment to the Code of Federal Regulation. And that should have been open for public docket, 30-day notice, and review in our courts.

Instead, what did the Department of Transportation say? Well, it deals with international trade; therefore, it can be viewed as a technical amendment with no comment, no deliberation, and no review in the courts. That is it.

So I think you put your finger on it, is that international trade and investment issues, already subject to closed door bureaucratic, banking, corporate deliberations, and decisionmaking excluding the American people, has moved to withdraw from our democratic apparatus in the decisionmaking.

I mean there is no basis for closing those tribunals. There is no basis for your State of Minnesota or your State of New Hampshire, who would have a stake on a particular issue involving your legislation before these international tribunals, to be completely shut out of being a party before these tribunals.

There is no reason why all the submissions by our government are secret from us so we can't even figure out whether the State Department is really making a strong case or throwing the case.

Mercedes now is challenging the U.S. Government under GATT saying our fuel efficiency standards and gas guzzling standards violate GATT because of its discriminatory impact on Mercedes. Why? Because it happens to have a large sedan. Well, big deal. These standards apply to all cars, import or domestic.

But you see they are tying us up, and they are tying us up. And that is a very demoralizing thing to say to citizens back home. You not only have to deal with Minnesota and Washington, you got to deal with Geneva and Rome.

Mr. PETERSON. I think there is a very good reason why these things were secret, because they can't stand the light of day. If people knew what was going on, there would be an uprising.

And I guess one of the reasons NAFTA is in trouble is that a lot of us that used to support these agreements finally woke up and, you know, we just can't take this any more. This being asked to compete with \$1 an hour wages when nobody else, all of these folks sitting over in the White House, none of their jobs are in jeopardy, none of them have to compete in the world market.

Mr. JACKSON. So far.

Mr. PETERSON. And I said time and time again, if we could get all these lawyers to get to the world market price of lawyers—which I did a study and it is about \$18,000. If we could get them so they were in the world market, not only would they be cheaper

to hire but, you know, we could maybe export some of these lawyers to Japan and screw up their economy for a while.

But—

Mr. JACKSON. It is just—Mr. Peterson, it is just so unfair to set the stage as those who are driven by fear and those who are driven by courage or those who are willing to compete and those who are not.

The White House does not want to compete with an arrangement where votes are not counted. They don't want to compete with Mr. Salinas' political situation.

It is not fair. The American worker can compete with the Mexican workers. We can't compete with 95 cents an hour wages and shouldn't have to. The Zenith workers on the West side of Chicago, now urban, black, brown unemployed, could compete with the Zenith workers and maquiladora workers but could not compete with the wage shift and exploitation factor. And that is why this is such a big lie.

And Mr. Clinton has had the opportunity to modify a bad proposition because two-thirds of the signatories have been defeated. And the other third can't vote. This is an excellent opportunity. The idea about, if we change it, the Mexicans are going to balk, they don't have the capacity to balk. They need the deal too much. And it is mutually beneficial, we need it too. But it should be a fair deal. And it is going to be defeated.

Mr. CONYERS. The Chair is in some doubt about how to treat it. The esteemed gentleman from Connecticut has the next question, but our colleague on the committee, Barbara-Rose Collins, has a statement that I know she wants to make, and I am not at all sure she will be able to return.

Mr. SHAYS. Can I resolve the question? Are you gentlemen free to stay if I run and vote, back in 10 minutes?

Mr. CONYERS. No. Reverend Jackson is on a short schedule too.

Mr. SHAYS. I would defer to Representative Collins.

STATEMENT OF HON. BARBARA-ROSE COLLINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN, AND CHAIRWOMAN, ANTI-NAFTA TASK FORCE, CONGRESSIONAL BLACK CAUCUS

Ms. COLLINS. Mr. Chairman, I don't have time really to make my statement.

First of all, I want to commend you—

Mr. CONYERS. Let me thank Chris Shays for his support.

Ms. COLLINS. I want to thank you and Chairman Peterson of the subcommittee for holding these hearings. I think they have been very informative to the Congress, and you performed a great service to us.

I am here in my capacity as chairwoman of the anti-NAFTA task force for the Congressional Black Caucus. And I wanted to share with you our concerns about NAFTA's impact on African-Americans and on affirmative action and on minority and disadvantaged businesses, but I won't have time to do that. So I would like to ask you to insert my remarks in the record.

Also, Mr. Michael Moore has given you a video and a statement. I would like unanimous consent to insert his into the record also. Is that permissible?

Mr. CONYERS. I would love to do the latter. Michael Moore——
Ms. COLLINS. You mean the former.

Mr. CONYERS. Michael Moore was trying to get here, and I've had the opportunity to briefly examine his video which is excellent. Unfortunately, videos don't translate into the record, but I know that he does have a statement. And his representative is here, and we will include that in the record. That is acceptable.

[The prepared statement of Mr. Moore follows:]

Testimony of Mr. Michael Moore, Producer/Writer/Director & Creator of the Film "Roger & Me" as submitted in written & video form on his behalf by his associate, Mr. Sam Riddle, to the Committee On Government Operations Subcommittee on Employment, Housing and Aviation; at a hearing on the potential impact of the North American Free Trade Agreement (NAFTA) on blue collar and minority employment in the United States on 10 November 1993.

I made a film, "Roger & Me", about my home town, Flint, Michigan because workers in Flint were hurting in the worst way due to inhumane treatment at the hands of General Motors leadership. No one seemed to care and the impact of plant closings was buried. I had to "do something", so I made the film to let the world know of the suffering and pain of Flint.

If NAFTA is enacted, I am convinced that the story of Flint, Michigan will be repeated throughout America. You should not allow that to happen for several reasons:

(1) President Clinton said that the Bush NAFTA would not be good for working people in America. But the so called "side agreements" on the environment and labor rights which would differentiate Clinton's NAFTA from the Bush NAFTA have no teeth and result in a bottom line reality of Bush's NAFTA still standing strong. Members of Congress who opposed Bush's NAFTA should be consistent and reject NAFTA as currently structured.

(2) NAFTA is the clearest manifestation of institutional racism in recent memory. Nearly a quarter (24%) of the UAW membership is African -American. Downsizing at General Motors and other auto manufacturers is a way for the corporate giants to lay the foundation to exploit a cheap Mexican labor force as African-Americans face the prospect of losing jobs at a disproportionate level.

An erosion of the tax base of urban America will occur as corporate giants go south. Again, people of color will be impacted negatively in disproportionate numbers as services and social programs are cut.

(3) There is no concrete plan for worker retraining which would meet the demands of the high tech job market which could employ some of the victims of NAFTA.

There is more which is contained in the video presentation before you. I respectfully thank you for allowing us time to make this presentation. Please address any concerns to me c/o Sam Riddle

P.O. Box 3062 Warrenton, VA 22186. Phone 416/368-2636 for a more immediate response.

Thank you.



The Congressional Black Caucus

POSITION PAPER

North American Free Trade Agreement

The Congressional Black Caucus stands in opposition to the North American Free Trade Agreement (NAFTA). While it is recognized that NAFTA was originally proposed to help spur economic growth within the United States through increased trade and increased competition in the global marketplace, there are areas of concern that have not been addressed. Without sufficient attention to the areas of concern, the Congressional Black Caucus will remain firm in opposition.

AREAS OF CONCERN

Opposition principally is focused on factors affecting jobs, the environment, minority business opportunities and the potential effects on the Caribbean region.

- **JOBS** - Our trade deficit with Mexico has already grown in many industries. Estimates of probable job losses due to NAFTA have reached as high as one million. State and local governments will lose tax revenues from businesses who relocate and individuals who become jobless. In those regions that suffer the most intense job losses, the corresponding loss of tax revenues will be substantial. NAFTA will have a negative impact on the generation of revenues in this country precisely at a time when entitlement benefits and services are under great peril. Also, an examination of the average hourly wages for production workers in those industries already affected reveals that the jobs being lost are high-wage, not only low-wage manufacturing jobs. Those who lose jobs because of import competition do not climb up the ladder, but fall back to lower wages or fall off the job ladder into unemployment. There is little to support the claim of NAFTA proponents that free trade will create higher wage jobs for U.S. workers because Mexican workers will take jobs at the lower end of the skills ladder while American workers will move up to better paying jobs.
- **ENVIRONMENT** - There has not been sufficient progress made with Mexico related to environmental protection. NAFTA must preserve the rights of states and the federal government to set high individual standards for the environment, conservation, health and safety. NAFTA does not provide a secure, dedicated source of funding for border clean-up, environmental infrastructure, conservation initiatives, protection of communities and worker health. The treaty does not prevent the flight of industries which seek to take advantage of lax environmental, health and safety standards in other countries. Further, there are not sufficient opportunities for public participation in trade and environmental disputes and in investment and trade decisions affecting individual communities.
- **MINORITY BUSINESS** - The Minority Business Community has never been fully consulted or considered on NAFTA. There are no current proposals to provide technical, financial, marketing or educational assistance to small business in general, or to minority business in particular, interested in trade with or investment in Mexico. Remedies must be carefully explored and should accompany the NAFTA.
- **THE CARIBBEAN** - Preferential treatment for Mexico - especially in areas of sugar, citrus and apparel - could result in significant diversion of trade from the Caribbean. Such a diversion would stall economic growth, and dislocate productive activity in both the United States and the Caribbean. If NAFTA takes effect in January, U.S./Caribbean commerce could erode by next spring. Using the textile industry as an example, NAFTA calls for a progressive reduction of tariffs on Mexican textiles and apparel over the next decade. This disrupts U.S. and regional patterns, because Caribbean Basin Initiative garments made from U.S. textiles would compete at a disadvantage with Mexican apparel made from Mexican textiles.

NAFTA is not primarily a free trade agreement. It is an investment agreement designed to protect investments which U.S. companies would make in Mexico. The Congressional Black Caucus stands in strong opposition to this treaty as drafted.

Ms. COLLINS. All right. Thank you.

Would you please forgive me for not being able to come back?
And I ask you to insert my remarks.

Mr. CONYERS. Without objection, so ordered.

[The prepared statement of Ms. Collins follows:]

TESTIMONY OF THE HONORABLE BARBARA-ROSE COLLINS (D-MD)

November 10, 1993

for the hearing on
NAFTA: A Negative Impact on Blue Collar,
Minority, and Female Workers?

before the Subcommittee on
Employment, Housing, and Aviation

MR. CHAIRMAN, AS A MEMBER OF THIS SUBCOMMITTEE, I WANT TO THANK YOU AND COMMEND YOU FOR HOLDING TODAY'S HEARING ON THE IMPACT OF THE NORTH AMERICAN FREE TRADE AGREEMENT ON THIS NATION'S MINORITY, BLUE COLLAR AND FEMALE CITIZENS.

I AM ESPECIALLY PLEASED TO APPEAR HERE TODAY AS THE CHAIRPERSON OF THE CONGRESSIONAL BLACK CAUCUS ANTI-NAFTA TASK FORCE. THE CBC CONTINUES TO MAINTAIN ITS OFFICIAL STAND IN OPPOSITION TO THE NORTH AMERICAN FREE TRADE AGREEMENT. THIS IS AN ISSUE OF SUBSTANCE, NOT SOUNDBITES. THIS IS NOT A CHOICE BETWEEN PRESIDENT CLINTON AND ROSS PEROT OR PAROCHIALISM VERSUS THE GLOBAL MARKETPLACE.

THE VOTE WE WILL CAST ON NOVEMBER 17 IS A VOTE TO PROTECT JOBS IN AMERICA, TO PROTECT THE ENVIRONMENT OF THE WESTERN HEMISPHERE, TO SUSTAIN THE ECONOMIC BASE FOR SMALL AND MINORITY BUSINESS OPPORTUNITY, AND TO INTRODUCE A MORE EQUITABLE POSTURE TO OUR TRADE RELATIONS IN THE CARIBBEAN.

THROUGHOUT THE NEARLY 3 YEARS OF DEBATE ON NAFTA, THERE IS ONE ISSUE OF SPECIAL IMPORTANCE TO ME THAT I BELIEVE HAS BEEN GIVEN A BACK SEAT -- THE ISSUE OF NAFTA'S IMPACT ON MINORITY, PARTICULARLY AFRICAN-AMERICAN, COMMUNITIES. THEREFORE, I AM PLEASED TO HAVE A FORUM TO DISCUSS MY CONCERNS ABOUT NAFTA.

IN THE VOLUMINOUS AND SOMETIMES TURBULENT PUBLIC DEBATE OVER NAFTA, LITTLE ATTENTION HAS BEEN PAID TO THE HARM THAT NAFTA WILL SPREAD TO AFRICAN-AMERICAN COMMUNITIES. IN FACT, IT ALMOST APPEARS THAT THE NAFTA AGREEMENT WAS DRAFTED WITHOUT ANY SENSITIVITY TO MINORITIES. PERHAPS NAFTA'S ORIGINATORS, THE BUSH ADMINISTRATION, THOUGHT THAT WE WOULD STAND BACK AND STAY SILENT, THAT BECAUSE WE HAD NO INTEREST IN THIS AGREEMENT, WE WOULD GIVE SILENT ACQUIESCENCE. BUT NOW, AS THE CONGRESSIONAL BLACK CAUCUS SWELLS ITS RANKS TO SOME 40 STRONG, OUR VOICE IS ONE THAT CANNOT BE IGNORED.

THIS FALL, I HAVE HAD THE HONOR TO CHAIR THE CBC NAFTA TASK FORCE AND TO CLOSELY STUDY THIS AGREEMENT'S IMPACT ON THE AFRICAN- AMERICAN COMMUNITY. THIS WAS NO EASY TASK, SINCE AS I MENTIONED PREVIOUSLY, AFRICAN-AMERICANS WERE REALLY NOT CONSIDERED IN THE NEGOTIATING OF NAFTA. COMPREHENSIVE AND EXPENSIVE STUDIES AROUND ON NAFTA'S RAMIFICATIONS, FROM IMPACTS ON AIR QUALITY TO THE EFFECTS ON EXPORTS OF CERAMIC TILE. BUT LITTLE TO NO RESEARCH OR STUDY HAS BEEN DONE ON THE IMPACT OF NAFTA ON MINORITY COMMUNITIES. HOWEVER, AS I LOOKED DEEPER INTO THIS ISSUE, IT BECAME INCREASINGLY EVIDENT THAT THE CONCERNS OF THE MAJORITY OF AMERICANS WITH NAFTA ARE AMPLIFIED WHEN YOU CONSIDER AFRICAN AMERICAN PEOPLE. THOSE CONCERNS SHARED BY ORGANIZED LABOR, ENVIRONMENTALISTS, AND CONSUMER ADVOCATES ARE ALL RELEVANT TO AFRICAN-AMERICANS, BUT IT IS THE ECONOMIC CONSEQUENCES OF NAFTA THAT ARE PARTICULARLY DEVASTATING TO AFRICAN-AMERICAN FAMILIES.

A FAILED LEGACY

THE 1992 ELECTION WAS A CLEAR REFERENDUM ON THE FAILED REAGAN-BUSH ECONOMIC "PROGRAM". OVER THOSE 12 YEARS, THE AMERICAN PEOPLE ENDURED SERIOUS ECONOMIC STAGNATION AND HARDSHIP. THIS NAFTA IS ANOTHER ARM, PERHAPS A TENTACLE, OF THOSE FAILED POLICIES, AN APPROACH I FIND IMPOSSIBLE TO SUPPORT. IN FACT, TO RUSH INTO AN AGREEMENT WHILE NOT FULLY UNDERSTANDING ITS ECONOMIC EFFECTS ON ALL OF OUR PEOPLE WOULD BE IRRESPONSIBLE, AND A BETRAYAL OF THE TRUST THAT MY CONSTITUENTS PLACED IN ME THROUGH MY ELECTION TO THE CONGRESS. I WOULD JUST LIKE TO POINT OUT THAT THE THREE PRESIDENTS MOST AGGRESSIVELY PROMOTING NAFTA, FORD, CARTER, AND BUSH, WERE VOTED OUT OF OFFICE IN PART BECAUSE OF QUESTIONABLE ECONOMIC POLICIES.

THE REAL REASON FOR NAFTA

I AM NOT AN ECONOMIST; HOWEVER, IT SEEMS TO ME THAT THE IDEA FOR A NAFTA HAS ITS ROOTS IN THE POLITICAL CIRCLES OF MEXICO CITY. IT IS MY UNDERSTANDING THAT THE NAFTA CONCEPT HAS BEEN BREWING SINCE THE MID-1980'S AS AN ATTEMPT TO ALLEVIATE THE MASSIVE DEBT CRISIS IN MEXICO. MEXICAN PRESIDENT SALINAS, THE MAN THAT SO MANY PEOPLE LABEL AS A GREAT REFORMER AND VISIONARY, OPENED MEXICO'S VERY CLOSED MARKETS TO CAPITAL INVESTMENT IN THE 1980'S IN AN EFFORT TO CURE HIS NATION'S ANEMIC ECONOMY, WHILE SIMULTANEOUSLY DEVALUING THE PESO. BUT BY 1986 OR SO, HE REALIZED THAT MEXICO NEEDED MORE FOREIGN CAPITAL IF THEY WERE TO EVOLVE INTO A MODERN ECONOMY. ENTER FREE TRADE, OR MORE APPROPRIATELY, THE CONCEPT OF ECONOMIC UNION, REGARDLESS OF WHETHER MEXICO'S ECONOMY WAS READY.

NAFTA WAS REALLY DESIGNED AS AN INVESTMENT AGREEMENT TO LURE MORE AMERICAN CAPITAL INTO MEXICO. THAT IS WHY AMERICAN BUSINESS INTERESTS ARE PRACTICALLY SALIVATING AT THE DOORS THAT WILL OPEN TO NEW INVESTMENT. BUT WHY? U.S. FIRMS CAN INVEST IN MEXICO TODAY, AND IN FACT HAVE OPERATED IN MEXICO FOR MORE THAN 25 YEARS WITH A LARGE DEGREE OF SUCCESS. GENERAL MOTORS, FOR EXAMPLE,

WHICH HAS ITS HEADQUARTERS IN MY DISTRICT, IS MEXICO'S LARGEST SINGLE PRIVATE EMPLOYER. SO SINCE MANY COMPANIES ARE ALREADY THERE, NAFTA HAS TO MAKE THE DEAL THEY HAVE NOW EVEN BETTER; AND IT DOES.

NAFTA GIVES FAVORED TREATMENT TO FUTURE U.S. INVESTMENTS. THIS POINT IS OF CRITICAL IMPORTANCE. UP TO NOW, THE MAJOR U.S. INVESTORS IN MEXICO HAVE BEEN LARGE BUSINESSES. HOWEVER, WITH INVESTMENT IN MEXICO AS SAFE AS INVESTMENT IN THE U.S., SMALL AND MEDIUM-SIZED COMPANIES CAN NOW LOOK TO MEXICO AS WELL, NO LONGER FEARFUL OF LOST INVESTMENTS.

JOB LOSS FOR AFRICAN-AMERICANS

NAFTA PROPONENTS BELIEVE MEXICO TO BE (1) A GREAT EXPORT MARKET FOR U.S. GOODS AND SERVICES, AND (2) AN ESPECIALLY GREAT MARKET FOR AMERICAN CONSUMER GOODS. NAFTA PROPONENTS ARGUE THAT WE WILL OPEN UP A MARKET OF 360 MILLION PEOPLE WITH A \$6 TRILLION ECONOMY. CLOSER SCRUTINY SHOWS THAT MORE THAN \$5.6 TRILLION OF THAT \$6 TRILLION TOTAL IS FROM THE UNITED STATES. IN REALITY, MEXICO'S BUYING POWER IS ONLY AROUND 5% OF U.S. GROSS DOMESTIC PRODUCT (GDP). WITH MEXICAN HOURLY COMPENSATION RANGING ANYWHERE FROM LESS THAN \$1 TO \$3 DOLLARS, WHICH IS A 30 PERCENT DECREASE SINCE 1980, AND AVERAGE YEARLY INCOMES BETWEEN \$2,000 AND \$3,000, THE 86 MILLION MEXICAN PEOPLE HAVE THE BUYING POWER EQUIVALENT TO THAT OF AFRICAN AMERICANS IN THE U.S. THE REALITY IS SIMPLE; THE MEXICAN MARKET FOR U.S. PRODUCTS IS A MERE SPECK IN TERMS OF PURCHASING POWER. TO TELL US OTHERWISE IS SHAMEFUL, AND I SUBMIT TO YOU THAT IF WE WERE REALLY TRYING TO RAISE THE STANDARD OF LIVING FOR AMERICANS, WE WOULD INVEST OUR ENERGIES IN OUR OWN PEOPLE RIGHT HERE.

SO THE QUESTION IS WHY DO PROPONENTS SEE MEXICO AS A GREAT EXPORT MARKET? THE ANSWER: CAPITAL GOODS OR PLANT AND EQUIPMENT. TRADE WITH MEXICO TODAY IS PRIMARILY IN UNASSEMBLED PARTS BETWEEN VARIOUS DIVISIONS OF U.S. COMPANIES. LOWER UNIT LABOR COSTS, A PRODUCT OF WAGES AND PRODUCTIVITY, ALLOW U.S. COMPANIES TO EXPORT GOODS TO MEXICO THAT WILL BE TRANSFORMED AND RE-EXPORTED BACK TO THE U.S. AS FINISHED GOODS. SHIPMENTS TO THE U.S. FROM MEXICAN AFFILIATES OF U.S. COMPANIES HAVE GROWN EXPONENTIALLY, TO A POINT WHERE THERE ARE SOME 2,200 U.S. AFFILIATES DOING BUSINESS IN MEXICO AND EMPLOYING HUNDREDS OF THOUSANDS OF MEXICANS, WHEN THEY COULD BE EMPLOYING HARD-WORKING AMERICANS. AND SO NAFTA WILL MAKE THIS FLOW OF CAPITAL GOODS ALREADY TAKING PLACE INTO A HEMORRHAGE AS THE TRADE BARRIERS FALL. THIS TRANSFER OF PRODUCTION EQUIPMENT OUT OF THIS COUNTRY AND INTO MEXICO WILL MOVE JOBS AND DISPLACE WORKERS, CREATING A DEVASTATING RIPPLE EFFECT THROUGHOUT THE AFRICAN-AMERICAN COMMUNITY.

THE LABOR MARKET

IN TERMS OF EMPLOYMENT IN THIS COUNTRY, PASSAGE OF NAFTA WILL CREATE SOMETHING SIMILAR TO A THREE-FRONT WAR FOR AFRICAN-AMERICAN LABORERS TO FIGHT. FIRST, THEY ARE ALREADY CONFRONTING AN EVOLVING LABOR MARKET THAT FINDS THEM WORKING FOR LOWER WAGES. SECOND, THEY ARE LOSING JOBS AT MORE THAN TWICE THE NATIONAL AVERAGE AS A RESULT OF LABOR MARKET SHIFTS TOWARD A MORE WHITE-COLLAR LABOR FORCE. AND THIRD, BECAUSE OF THE INEQUALITY IN OUR EDUCATIONAL SYSTEM, BECAUSE WE HAVE SO FEW JOB TRAINING PROGRAMS, ESPECIALLY JOB TRAINING PROGRAMS THAT EVEN CONSIDER AFRICAN-AMERICANS FOR HIGH-SKILLED TRAINING, UNPREPARED TO MEET THE CHALLENGES THAT NEWER, HIGHER-SKILL JOBS PRESENT.

PEROT'S GIANT SUCKING SOUND

SINCE 1973, REAL WAGES HAVE DECLINED FOR ALL AMERICAN WORKERS AS THE U.S. ECONOMY MOVES TOWARD A MORE COLLEGE-EDUCATED, WHITE-COLLAR LABOR FORCE, LOSING ITS INDUSTRIAL PRODUCTION BASE. OVER 30 PERCENT OF THE BLACK LABOR FORCE IS EMPLOYED IN MANUFACTURING, COMPARED TO LESS THAN 20 PERCENT OF THE WHITE LABOR FORCE. BASIC MANUFACTURING HAS TRADITIONALLY BEEN THE ENTRY POINT INTO THE MIDDLE CLASS FOR MANY AFRICAN-AMERICANS. UNFORTUNATELY, THE FASTEST GROWING GAP IN INCOME BETWEEN BLACK AND WHITE EARNINGS HAS BEEN AMONG COLLEGE-EDUCATED, WHITE-COLLAR WORKERS. SINCE NAFTA WILL ENCOURAGE MORE MANUFACTURING TO MEXICO AND SEND INTO OUR STORES MORE MEXICAN PRODUCTS, WE WILL SEE SEVERE EROSION OF THOSE VERY JOBS HELD BY MANY AFRICAN-AMERICANS.

LET ME NOW PULL ALL OF THESE POINTS TOGETHER. (1) PAST INVESTMENT IN MEXICO HAS NOT LED TO IMPROVEMENT IN THE LABOR MARKET FOR AFRICAN-AMERICANS. (2) MANUFACTURING PROVIDES A GOOD LIVING FOR MILLIONS OF AFRICAN-AMERICANS. (3) THE LABOR MARKET IS MOVING AWAY FROM MANUFACTURING EMPLOYMENT, EVEN WITHOUT NAFTA, CREATING ABOVE AVERAGE UNEMPLOYMENT IN AFRICAN-AMERICAN COMMUNITIES. (4) SOCIETY HAS NOT FULFILLED ITS OBLIGATIONS TO AFRICAN-AMERICAN PEOPLE, PARTICULARLY CHILDREN, AND HAS LEFT AN ENTIRE RACE ILL-PREPARED TO MEET THE CHANGES IN OUR LABOR MARKET. HOW DOES NAFTA FIT IN TO THIS PICTURE? INCREASED INVESTMENT BY U.S. FIRMS ABROAD WILL CONTINUE THIS TREND AND DECREASE THE NUMBER OF JOBS TRADITIONALLY HELD BY NON-COLLEGE EDUCATED WORKERS, PLACING AFRICAN-AMERICANS AT A DISADVANTAGE AND DELIVERING DISPROPORTIONATE HARM.

WORKER RETRAINING?

IT IS CLEAR THAT MANY AFRICAN-AMERICANS ARE OVERLY CONCENTRATED IN THE JOBS NOW DISAPPEARING AND IN THOSE THAT WILL CONTINUE TO VANISH UNDER NAFTA. NAFTA SUPPORTERS LIKE TO SAY THAT NAFTA WILL RESULT IN NEW JOBS HERE, BUT WHAT ARE THESE JOBS? THEY ALL SEEM TO AGREE THAT THEY WILL BE THE NEW HIGH-WAGE, HIGH-SKILL JOBS OF THE '90'S. REALITY TELLS US OF TWO RESULTS: (1) INCREASED WAGE COMPETITION BETWEEN U.S. AND MEXICAN WORKERS, BOTH AT THE UNSKILLED AND SKILLED LEVELS ACCOMPANIED BY CONSIDERABLE WAGE DEPRESSION; AND (2) THAT BLACK WORKERS ARE NOT

APPROPRIATELY TRAINED FOR THESE JOBS. TO THEIR CREDIT THE CLINTON ADMINISTRATION RECOGNIZES THE JOB POINT. THAT IS WHY THEY HAVE COME BEFORE THE CBC AND STRESSED THAT IN 1994 THEY WILL PROPOSE MAJOR JOB TRAINING PROGRAMS, INCLUDING CHANGES TO THE JOB TRAINING PARTNERSHIP ACT AND SCHOOL-TO-WORK INITIATIVES TO SUPPLEMENT THE CURRENT TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR WORKERS DISPLACED BY TRADE. IT WOULD SEEM TO ME THEN, THAT IF WE WERE REALLY SERIOUS ABOUT ADDRESSING CURRENT TRAINING DEFICITS AND THE FUTURE TRAINING NEEDS OF AMERICAN WORKERS, REAL JOB TRAINING PROPOSALS WOULD BE INCLUDED IN LEGISLATION IMPLEMENTING NAFTA BEFORE THE CONGRESS, PARTICULARLY WHEN IT IS NAFTA THAT IS EXACERBATING CURRENT PROBLEMS AND MAKING THESE PROGRAMS EVEN MORE NECESSARY. WHAT GOOD IS A NEW TRAINING PROGRAM THAT UNDER THE BEST SCENARIO, COULD BECOME EFFECTIVE IN MID-1994 AND UP AND RUNNING IN MID-1995, WHEN NAFTA COULD BECOME EFFECTIVE ON JANUARY 1, 1994?

NOW, I ALSO HAVE SOME RESERVATIONS ABOUT THE CURRENT TRADE ADJUSTMENT ASSISTANCE PROGRAM, THE ADMINISTRATION'S SHORT TERM "REMEDY" FOR NAFTA-RELATED JOB DISLOCATIONS. LAST YEAR THE GAO REPORTED THAT IN EXISTING WORKER RETRAINING PROGRAMS, WOMEN AND BLACKS ARE TRAINED FOR LOWER-SKILLED JOBS MORE SO THAN WHITE WORKERS. AT NO TIME HAVE I HEARD OF ANY PLAN FOR ENSURING AFFIRMATIVE ACTION IN THIS RETRAINING PROGRAM, ONE WHICH EVEN THE CURRENT LABOR DEPARTMENT'S SOLICITOR HAS FOUND INEFFECTIVE!

THE TOLL ON CITIES

NAFTA WILL BRING SEVERAL ADVERSE CONSEQUENCES FOR OUR CITIES AND URBAN CENTERS. MORE THAN HALF OF OUR LARGER CITIES HAVE HIGH CONCENTRATIONS OF MINORITY CITIZENS WHO ARE STILL VERY DEPENDENT ON MANUFACTURING FOR THEIR LIVELIHOOD. IN OVER 40 PERCENT OF THE METROPOLITAN AREAS NATIONWIDE, MANUFACTURING ACCOUNTS FOR 30 TO 50 PERCENT OF EVERY WORKER'S INCOME. IN ADDITION, BLACKS AND WOMEN ARE HIGHLY CONCENTRATED IN PUBLIC SECTOR EMPLOYMENT. AS CITY RESIDENTS HAVE LESS DISPOSABLE INCOME TO SPEND IN NEIGHBORHOOD BUSINESSES, AND TAX REVENUES FROM LOCAL COMPANIES SHRINK, CITY GOVERNMENTS WILL HAVE LESS MONEY FOR CITY PROGRAMS AND SERVICES, HENCE FEWER JOBS. LOST TAX REVENUE, COMBINED WITH HIGHER UNEMPLOYMENT CLAIMS, WILL COST FEDERAL, STATE AND LOCAL GOVERNMENTS OVER \$98 BILLION BY THE YEAR 2000. PROGRAMS IMPORTANT TO URBAN AND RURAL COMMUNITIES WILL COMPETE FOR FEWER FEDERAL DOLLARS, DESPITE THE LIKELY RISE IN CLAIMS FOR FOOD STAMPS AND OTHER FORMS OF PUBLIC ASSISTANCE. PROGRAMS TARGETING AT-RISK CHILDREN AND ECONOMICALLY DISTRESSED COMMUNITIES WILL LIKELY GO UNFUNDED. THUS, OUR CITIES, WHERE MANY MINORITIES ARE CONCENTRATED, WILL CONTINUE TO UNFAIRLY SUFFER.

EQUAL EMPLOYMENT OPPORTUNITIES

NAFTA IS ALSO A MAJOR THREAT TO LONG-ESTABLISHED EQUAL EMPLOYMENT AND AFFIRMATIVE ACTION PROGRAMS, OFTEN THE ONLY WEAPON WE HAVE HAD AGAINST THE WAGE GAP BETWEEN WHITES AND BLACKS. THE VOLUME OF FEDERAL CONTRACTS WITH U.S. COMPANIES TODAY EXCEEDS \$195 BILLION. FOR FEDERAL GOVERNMENT PROCUREMENT, NAFTA WOULD TREAT CANADIAN AND MEXICAN COMPANIES AS "U.S. COMPANIES," THUS EFFECTIVELY NEGATING "BUY AMERICA" POLICIES. CURRENTLY, FEDERAL CONTRACTORS MUST MAINTAIN AN EQUAL EMPLOYMENT OPPORTUNITIES PROGRAM. 96 PERCENT OF ALL CONTRACTORS HAVE REQUIRED AFFIRMATIVE ACTION PROGRAMS. THESE REQUIREMENTS HAVE SERVED AS IMPORTANT LEVERAGE ON THE PRIVATE SECTOR TO PROVIDE EQUAL EMPLOYMENT OPPORTUNITIES.

SEVERAL STUDIES HAVE CONFIRMED THAT THESE EEO REQUIREMENTS ON FEDERAL CONTRACTORS HAVE INCREASED MINORITY EMPLOYMENT, CONTRIBUTED TO OCCUPATIONAL ADVANCEMENT, AND HAVE INCREASED MINORITIES' WAGES. OPENING UP FEDERAL CONTRACTS TO CANADIAN AND MEXICAN COMPANIES WILL DILUTE THIS ACTION-FORCING REQUIREMENT. WITH FEWER AMERICAN COMPANIES GETTING FEDERAL CONTRACTS, THERE WILL BE FEWER EQUAL EMPLOYMENT OPPORTUNITY PROGRAMS IN THE PRIVATE SECTOR.

TOWARD A BETTER TOMORROW

MY CONSTITUENTS SENT ME TO WASHINGTON TO HELP CREATE JOBS, NOT DESTROY THEM. MY CONSTITUENTS SENT ME TO WASHINGTON TO CREATE HOPE, NOT EXTINGUISH IT. MY CONSTITUENTS SENT ME TO WASHINGTON TO REINVIGORATE THE ECONOMY, NOT TO DRAIN IT.

NAFTA IS CALLED A TRADE AGREEMENT. IT CERTAINLY IS. IN MY VIEW, IT TRADES AWAY GOOD AMERICAN JOBS AT GOOD WAGES. IT TRADES AWAY THE ASPIRATIONS OF MANY HARD-WORKING AMERICANS, AND PARTICULARLY AFRICAN-AMERICANS, TO MAKE LIFE BETTER FOR THEMSELVES AND THEIR FAMILIES. AND IT GIVES BACK VERY LITTLE IN RETURN.

I WOULD LIKE TO CONCLUDE MY REMARKS TONIGHT BY SHARING WITH MY COLLEAGUES A STATEMENT MADE LAST WEEK ON NATIONAL PUBLIC RADIO BY CIVIL RIGHTS LEADER ROGER WILKINS. IN JUST A FEW WORDS, HE CUT TO THE HEART OF THIS MATTER BY STATING:

"WHEN PRESIDENTS START TALKING ABOUT THOSE RISING TIDES THAT LIFT ALL BOATS, BLACKS BETTER HIKE THEIR BRITCHES.

AFTER THE CIVIL WAR WHEN SOME BLACKS HAD THE NOT UNREALISTIC EXPECTATION THAT THEIR GOVERNMENT MIGHT COMPENSATE THEM WITH A LITTLE LAND FOR THE WORK AND THE PORTIONS OF THEIR LIVES THAT HAD BEEN STOLEN FROM THEM, THEY WERE DISAPPOINTED. INSTEAD, PRESIDENT LINCOLN GAVE HUGE CHUNKS OF OUR NATIONAL PATRIMONY TO THE RAILROADS ON THE THEORY THAT THE ECONOMIC ACTIVITY THUS GENERATED WOULD BE GOOD FOR EVERYBODY.

BUT IT DIDN'T WORK OUT FOR BLACKS. AMERICAN EMPLOYERS OVERLOOKED NATIVE-BORN BLACK WORKERS AND BROUGHT UNSKILLED WORKERS FROM EUROPE TO AMERICAN WORK SITES LEAVING BLACKS TO SUFFER ON AS SOUTHERN SHARECROPPERS....

IN THE LAST TWO DECADES, AMERICAN BUSINESS HAS LOOKED OVERSEAS AND HAS PUT DOWN WORK SITES WHEREVER IT HAS FOUND CHEAP LABOR IT CAN USE. THAT AND OTHER ECONOMIC SHIFTS HAVE DEVASTATED THE UNSKILLED PORTION OF THE BLACK ECONOMY...

I CAN'T UNDERSTAND WHY THIS PRESIDENT HAS ADOPTED GEORGE BUSH'S TRICKLE DOWN NAFTA. I WOULD HAVE THOUGHT HE WOULD HAVE OFFERED UNSKILLED AMERICANS A SERIOUS JOBS PROGRAM BEFORE HE WENT OFF TRYING TO STRENGTHEN MEXICO. AFTER ALL, A STRONG LOS ANGELES, A STRONG NEW YORK, A STRONG DETROIT, A STRONG ATLANTA AND HEAVEN KNOWS, A STRONG WASHINGTON, D.C., SHOULD BE AT LEAST AS HIGH ON HIS PRIORITY LIST AS EVEN THE BEST INTENTIONED GOOD NEIGHBOR POLICY."

AMEN TO THAT ROGER. THANK YOU MR. CHAIRMAN.

Mr. CONYERS. Barbara-Rose Collins, we commend you for the tremendous job you are doing with the members of the CBC and in the Congress on this very critical issue.

No one needs to remind us what it means to the automobile industry and people in the Midwest of our country.

Ms. COLLINS. Absolutely.

And, Mr. Chairman, if I can make one more final comment. I have traveled pretty much all over the world, and I have noticed that no one drives American cars except Americans. And when our auto companies locate south of the border, thereby putting my constituents and yours out of work, I wonder who they think will buy their cars.

Mr. CONYERS. OK. Fine.

Ms. COLLINS. Thank you.

Mr. CONYERS. On that note, we will stand in recess until this vote has been dispensed with and we will resume again.

Once again, Reverend Jackson, Ralph Nader, we are in your debt for—and we were talking about it up here, what may have been the most precise and explicit examination of this very complex treaty that has been put to the Congress.

And we have, believe me—between Collin Peterson and myself, we have heard a lot of witnesses. We are in your debt.

We will be in recess until our next panel comes forward.

[Recess taken.]

Mrs. THURMAN [presiding]. I think we are going to go ahead and bring up the second group and get this started.

I know you kind of looked over here to see who's talking. Because I know many of our members are going to try to—as soon as any of our votes are done over there, we are going to try to get out of here. So if we can move it along, we might be in a better position.

Well, we got you in the right places. We just all have to leave to go vote again.

[Recess taken.]

Mr. PETERSON [presiding]. The subcommittee will come back to order. I understand some members have questions that they want submitted. We will submit those questions and answers will be made a part of the record.

Our second panel we apologize. I don't know who all is going to end up coming back. We just got done, so we will probably have to ask you to summarize as much as you can because I don't know how long we can keep anybody here.

Your statements will be made a part of the record in their entirety. We have our second panel, Ms. Gloria Johnson, president of the Coalition of Labor Union Women, Ms. Thea Lee who has been to this committee before, I think probably at our hearing, a policy analyst and economist at the Economic Policy Institute, Dr. Paul Hinojosa-Ojeda, professor of economics at UCLA, visiting scholar at International American Development Bank, and Mr. Toby Malichi, president and managing director of Malichi Diversified, Ltd., of Indianapolis.

We welcome all of you to this hearing and look forward to the testimony. It is the custom of the Government Operations Committee to swear in all of our witnesses, so if you don't mind, we just try to do that all the time. That way we are not prejudicing any-

body, so if you would stand and raise your right hands, we will swear you in.

[Witnesses sworn.]

Mr. PETERSON. As I say, all your statements will be made a part of the record. I think Mr. Conyers is coming back and maybe Mr. Zeff, and we will see how we do here. If you can boil it down, that would be a good thing.

STATEMENT OF GLORIA JOHNSON, PRESIDENT, COALITION OF LABOR UNION WOMEN

Ms. JOHNSON. All right. Thank you very, very much. My name is Gloria Johnson. As you have indicated, I am president of the Coalition of Labor Union Women, an organization with about 20,000 members representing the interests of 7.5 million union women.

Its membership is drawn from more than 55 national and international unions around the country, and we conduct our work through 60 chapters also across the United States, and I appreciate the opportunity to appear before you today to speak on behalf of the members of CLUW and the many others that we represent.

I am also a member of the executive board of my union, the International Union of Electronics, and also a member of the executive board of the AFL-CIO. I have just returned from CLUW's seventh biennial convention where the issue of NAFTA was the priority issue, and it was addressed both by speakers and by convention resolution.

A short time ago we took a very strong anti-NAFTA position, and, through resolutions, that position was reaffirmed from chapters across the country: From Minnesota, Indiana, Illinois, California and others.

I might also add that attending the convention were representatives from the Canadian Labour Congress who shared with us their experiences under the agreement between the United States and Canada. There has been a tremendous movement of jobs from Canada into the United States, and we are aware of the fact that the wage differential between the United States and Canada is certainly a lot less than that between the United States and Mexico.

I must apologize. I returned from our convention late yesterday to find out that I had been asked to appear here, and so my statement will be—my written statement will be submitted to the committee. I think if we look at the impact of this agreement on women and minorities, it is important, just for a moment, to look at some of the factors that I think play into our position, including: The 30 percent differential in pay between men and women workers here; the fact that 70 percent of all part-time workers are women; the majority of temporary workers are women; and despite laws on the books, women continue to be relegated to the low wage service jobs and, for the most part light manufacturing.

Despite other laws, women and minorities as well are still among the last hired and the first fired. We make up 33 percent of all manufacturing jobs in the United States today; but here again we are concentrated in industries that are most vulnerable to job movement to Mexico.

Mr. Chairman, I should tell you that I could give you one example after another of families that have been impacted by plant

movement up to this time; many of whom are still in the process of seeking jobs, but all of whom are fearful of the continuous movement of jobs from the United States to Mexico.

Those industries that will be impacted the most have a high percentage of women—the apparel manufacturing, 70 percent; electronics and electrical machinery, about 42 percent; furniture manufacturing, about 50 percent.

I should mention that the latter two industries, electronics and furniture manufacturing, are industries represented by my union, and I could share with you firsthand some of the problems that we have had to address as plants have moved out of this country.

I think data show very clearly that in manufacturing in particular women of color will suffer disproportionate losses because they are the greatest number in many of these industries. As applies to the manufacturing sector, the same applies to the service sector; 62 percent of women's jobs are threatened as restrictions against services originating abroad are removed.

There will be, we believe—we think the data prove this, that there will be job loss and lower wages and poor working conditions if NAFTA goes into effect for what we see is that NAFTA pits United States and Canadian workers against Mexican workers as corporations drive relentlessly to the lowest wage location.

I might say, looking in retrospect just for a moment, that in the union that I belong, in 1972 there were 360,000 workers represented by the IUE. Today that figure is 150,000. If you were to look at where that loss occurred, you would see the industries moving not only south, but across the border.

At one time radio was in our name; at one time we represented television manufacturing, and as you know, there are no American products, radios or TVs, or very few at this point.

A preview of what is expected, we believe, is already seen in the Maquiladora factories along the Mexican border. AT&T, Westinghouse, General Motors, GE and others, and while the figure has been questioned even as we sat here, there are 500,000 workers in the Maquiladora, 60 percent are women, most of them 14 to 20 years old, making products for the U.S. market in substandard living conditions and where environmental and labor standards are not enforced.

I think what has happened along the border ought to affect or be of concern to all of us. It certainly is to the women I represent. In 1970 there were 64 factories on the border. In 1980, 420. Today there are 1,750 U.S. corporations that have established on the border factories that for the most part have taken away or reduced the work force in the United States, and increased the production there.

We are very concerned that because of the great disparity in wages that there would be a continuation of the movement of jobs to Mexico; 7.4 million United States manufacturing jobs are at risk, and of these, 2.3 million are held by women, and yet what we are told, and I can't quite figure it out, is that Mexican workers will be able to buy our products. I don't know how this is expected to happen. It hasn't worked for them so far nor for us as well.

There are several other concerns of working women, union women, certainly the whole question of toxic exposure and because

of the lateness of the hour, I won't give you the two examples, but I would include those in the testimony.

The question is raised, well, who pays if this takes place. I think it is clear that it will be the taxpayer who will pay. It will be very difficult to address violations of environmental or labor standards because the problem-solving mechanism under NAFTA is inaccessible and unaccountable to any kind of democratic control.

If a company is found guilty, any fines will be paid by the country responsible, not the company. In other words, it winds up that the taxpayers will pay and companies will have very little incentive to change their practices. Dislocated workers will pay.

Contrary to claims made by NAFTA's corporate sponsors, workers who lose their jobs do not easily find new ones, especially if they are older or have a limited skill base. NAFTA does not provide a mechanism to train or cover dislocated workers who will suffer as a result of investments shifting to Mexico.

NAFTA is no more than a corporate Bill of Rights, and it is allowing private corporations to do business without government intervention, and a real threat to America's economic stability and future growth.

The issue, Mr. Chairman, to working women is an issue of jobs. We cannot lose sight of the fact that these are women, many of whom are single heads of households who have the full responsibility of their families, handling everything involving their families from health care to food to shelter and to clothing. Many of them live at or below the poverty level, many are working wives whose salaries often make the difference between living in or above the poverty level.

Many of them have experienced in their own families loss of jobs, many have had to resort to welfare or moving in with relatives. We are concerned. Yes, we may not have read NAFTA, but I am here to tell you that many of us have experienced what we believe, we truly believe, will be the outcome if this NAFTA is enacted.

Thank you, very much.

Mr. PETERSON. Thank you very much. We appreciate you coming and being with us on such short notice.

Ms. JOHNSON. Thank you.

Mr. PETERSON. I don't want to cut people too short. How much time do each of you need to make your—5 minutes?

Ms. LEE. I have a short statement.

Mr. PETERSON. So we are going to next hear from Thea Lee, and welcome back to the committee one more time. Again, we apologize for—I better reset this.

Ms. LEE. That is all right.

Mr. PETERSON. I think the yellow light comes on when you have 1 minute left.

STATEMENT OF THEA M. LEE, ECONOMIST, ECONOMIC POLICY INSTITUTE

Ms. LEE. Well, thank you very much for giving me the opportunity to address you this afternoon, and thank you for devoting this hearing to the important question of how NAFTA is likely to affect women and minorities in the U.S. labor market.

NAFTA changes the overall economic landscape in the continent of North America, circumscribing the role of elected governments in some areas, such as labor and environmental standards, government procurement, and regulation of foreign investment and broadly extending the role of government in other areas, such as the protection of intellectual property rights.

In this way it will affect all the citizens of the three North American countries. But NAFTA will also cause dislocations in specific industries and put downward pressure on wages for some types of workers. While many economists believe that NAFTA will yield economic gains for the United States, most admit that these gains are likely to be very small, given the size of the Mexican economy and the openness of the United States economy.

Professor James Tobin, 1981 nobel laureate, stated in a public forum at Yale University last week that these gains are unlikely to be large enough to be measurable in a statistically significant sense. If the models used to predict gains from NAFTA incorporated more realistic assumptions, such as chronic unemployment and international capital mobility, it is possible that these small net gains would evaporate entirely.

But small net gains or net losses can mask large gross losses and gains for different members of society. Our analysis of the jobs that are likely to be vulnerable under NAFTA shows that overall African American, Hispanic, and Asian Americans hold a disproportionate share of the production jobs likely to be displaced by NAFTA.

Furthermore, displacement tends to take a heavier toll on minority workers than on white workers. Up to 5 years after being displaced, African American and Hispanic workers are more likely to be unemployed than white workers, and this tendency is even more marked during a recession.

The Congressional Budget Office has also reported that displaced nonwhite workers tend to be out of work for 4 weeks longer than comparable white workers on average, for an average of 24 weeks. While in general NAFTA displaced workers are more likely to be male than female, women are disproportionately concentrated, as Gloria Johnson so eloquently described, in some industries such as apparel and some sectors of electronics and food processing that are likely to experience severe job losses as a result of NAFTA.

Seventy-eight percent of apparel workers are women, and these jobs are concentrated in rural areas and in large cities, such as New York and Los Angeles. The women who work in rural areas tend to be less geographically mobile than other workers, and they drop out of the labor force after displacement at more than twice the rate of other displaced workers.

In cities apparel workers are likely to be recent immigrants who may also have limited job opportunities if they lose their original job. The Congressional Budget Office found that women workers who are displaced tend to experience longer spells of joblessness than male workers by 3½ weeks, and to take deeper pay cuts when they do finally find a new job.

Because of its uneven impact on the most vulnerable members of the work force, NAFTA is likely to contribute to the growing inequality and the distribution of income that we have experienced

during the last two decades. This consequence of NAFTA deserves as much attention as its impact on the aggregate economy.

Thank you.

Mr. PETERSON. Thank you. Either the timer doesn't work or you were very efficient.

Ms. LEE. Very uncharacteristically brief.

Mr. PETERSON. We appreciate that. We appreciate you coming before our committee one more time. Your testimony will be made a part of the record. Thank you very much.

Ms. LEE. Thank you.

[The prepared statement of Ms. Lee follows:]

Economic Policy Institute

1730 RHODE ISLAND AVENUE, NW • SUITE 200 • WASHINGTON, DC 20036 • 202/775-8810 • FAX 202/775-0819

THE LIKELY IMPACT OF NAFTA ON WOMEN AND MINORITIES

Testimony

before the
EMPLOYMENT, HOUSING AND AVIATION SUBCOMMITTEE
of the
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT OPERATIONS

November 10, 1993

by

Thea M. Lee
Economist

Economic Policy Institute
1730 Rhode Island Avenue, NW, Suite 200
Washington, DC 20036
(202) 775-8810

Mr. Chairman, members of the committee, thank you for giving me the opportunity to address you this afternoon, and thank you for devoting this hearing to the important question of how NAFTA is likely to affect women and minorities in the U.S. labor market.

NAFTA changes the overall economic landscape in the continent of North America, circumscribing the role of elected governments in some areas such as labor and environmental standards, government procurement, and regulation of foreign investment, and broadly extending the role of the government in other areas, such as the protection of intellectual property rights. In this way, it will affect all the citizens of the three North American countries.

But NAFTA will also cause dislocations in specific industries and put downward pressure on wages for some types of workers. While many economists believe that NAFTA will yield net economic gains for the United States, most admit that these gains are likely to be very small, given the size of the Mexican economy and the openness of the U.S. economy.

Professor James Tobin, 1981 Nobel Laureate, stated in a public forum at Yale University last week that these gains were unlikely to be large enough to measure in a statistically significant sense. And if the models used to predict these gains incorporated more realistic assumptions, such as chronic unemployment and international capital mobility, it is possible that these small net gains would evaporate.

But small net gains or losses can mask large gross losses and gains for different members of society. Our analysis shows that overall, African American, Hispanic, and Asian Americans hold a disproportionate share of the production jobs likely to be displaced by NAFTA.¹ Furthermore, displacement tends to take a heavier toll on minority workers than on white workers. Up to five years after displacement, African American and Hispanic workers are more likely to be

¹ See Thea Lee, "Jobs Vulnerable to Relocation Due to NAFTA: A State by State Breakdown," October 23, 1992 for a description of the industries we identified as vulnerable under NAFTA.

unemployed than white workers. This tendency is even more marked during a recession.² The Congressional Budget Office has also reported that displaced non-white workers tend to be out of work for four weeks longer than comparable white workers on average.³

While in general, NAFTA-displaced workers are more likely to be male than female, women are disproportionately concentrated in some industries such as apparel and some sectors of the electronics and food processing industries that are likely to experience severe job losses as a result of NAFTA.

Seventy-eight percent of apparel workers are women. These jobs are concentrated in rural areas and in large cities, such as New York and Los Angeles. Women working in rural areas tend to be less geographically mobile than other workers and drop out of the labor force after displacement at more than twice the rate of other displaced workers. Apparel workers in cities are likely to be recent immigrants, who may also have limited job opportunities after displacement. The CBO found that women workers who are displaced tend to experience longer spells of joblessness than male workers (by 3.4 weeks) and to take deeper pay cuts when they are reemployed.⁴

Because of its uneven impact on the most vulnerable members of the work force, NAFTA is likely to contribute to the growing inequality in the distribution of income that we have experienced during the last two decades. This consequence of NAFTA deserves as much attention as its impact on the aggregate economy.

² U.S. Dept. of Labor, Bureau of Labor Statistics, *News USDL* 90-364, "Worker Displacement Continues to Decline," July 17, 1990; and U.S. Dept. of Labor, Bureau of Labor Statistics, *News USDL* 92-530, "Worker Displacement Increased Sharply in Recent Recession," August 19, 1992.

³ Congressional Budget Office, Displaced Workers: Trends in the 1980s and Implications for the Future, February 1993, Table 6, p. 20.

⁴ CBO, February 1993, Tables 6 and 7, pages 20 and 21.

Mr. PETERSON. Now, Dr. Hinojosa.

STATEMENT OF RAUL A. HINOJOSA-OJEDA, Ph.D., ASSISTANT PROFESSOR OF PLANNING, UNIVERSITY OF CALIFORNIA

Dr. HINOJOSA-OJEDA. Thank you very much, Mr. Chairman.

Although I won't use the usual formula which is about 1 minute for every hour of time I put into this application because it would take us about half an hour, frankly, since the last 24 hours, but I took very much seriously the request from your committee to do the work that really needs to be done to cast some facts on the table.

I do this because, frankly, this is not a passing fancy for me. I was born in Mexico, I grew up in the United States on the south side of Chicago in a racially mixed neighborhood. I have been politically active and as a scholar and as a policy activist working on United States-Mexico issues for 15 years, way before this became the attention-grabbing thing that it is now.

I organized the first international conference for the defense of workers in Mexico in 1980 where we invited, by the way, the AFL-CIO who unfortunately chose not to appear at that time. We have been involved over the last 3 years in doing research which is used by all sides on the debate.

The AFL-CIO, in fact, today in their TV commercials has a sign that says 500,000 jobs lost. Maybe you have seen it, Mr. Chairman. That comes from one of my studies. The reality of that number, however, is very interesting, that that number really represents a movement of people back to Mexico, which are being—is counted as a “job loss” in the United States.

Just to give you a sense of how unfortunately this debate has gotten completely out of hand from reality and from what I think are the real issues of working people on both sides of the border which have to be addressed and aren't really being addressed by the way the debate has unfolded. That started during the Bush years.

Frankly, I was an opponent of the Bush NAFTA. I led some of the most important research in identifying some of the major problems, particularly agricultural workers in Mexico, for example what could happen there, what would we need to do policywise to think about that, not just as something to bash over the head with, but really to do something about.

The same thing with respect to immigrant and Latino and black workers. My studies have been the only ones for years, and I am going to leave with you a number of the studies that I have done not only nationally but regionally that actually have been asking the question about minority workers in the United States as well as vulnerable workers on the Mexican side from the very beginning.

I want to tell you that a story basically of where I have now come, having done this research, looking at, if you will, the good, the bad, and the possible, all of it, you know, at once because I care about this and I will be around this debate after everybody votes on it next Wednesday, that is the front lines of my work, both politically as well as scholarly to improve the condition of my people, Americans and Mexicans on both sides of the border, and what I

have done with that research is also create a basis for doing policy alternatives, and we did a whole set of policy alternatives toward the Bush NAFTA, and we organized over the last 2½ years the largest coalition of Latino organizations, people that have lived the reality from both sides of the border to look at a set of alternative policy proposals that had to have been incorporated inside of the NAFTA.

The most important one you may have heard about it, the North American Development Bank which in fact Jesse Jackson sat here today and spoke about it as his vision of what a people's NAFTA is all about. He got that from us. We have been fighting for it, and now, as you know, it is part of the new vision of what NAFTA is, which I think is indeed fundamentally different under President Clinton.

Let me first go very quickly through the research findings that I have had, specifically on the issue of minority workers, African-Americans and Latinos, and then talk to you about why this type of research led to the type of policies that we have been diligently working on in detail, not just some pie in the sky about not this NAFTA, something else in the future maybe, like in concrete what are we talking about in the reality of United States-Mexico, what institutions could be put in place to really take care of the workers in the dimensions of the problem that we are now identifying in the NAFTA.

Let me just very quickly lay it out for you. I have done, by the way, almost every single type of methodology you could apply and use here, all the way from very fancy modeling to time series historical work to as an anthropologist going out and interviewing street vendors in Los Angeles, garment workers and as well as agriculture workers in Mexico, this has been very comprehensive and like I say a lot of people have been involved in this.

The reality of it is that the increase of trade that we have seen and that continues to occur between Mexico and the United States as Mexico liberalizes and as United States exports increase benefits on gross and net terms an incredible amount of not only United States workers in general, but it turns out Latinos and blacks.

I was actually quite surprised to find, and all the data is here by the way, every single SIC code, the trade growth in every single of these SIC codes, the composition of the population by each of the ethnic groups in the issue of these SIC codes, to not just say, OK, lots of jobs being created, but what type of jobs and who benefits.

A couple of very interesting points. Union workers, unions, I am wearing an AFL-CIO pro union button and a pro-NAFTA button because the fact of the matter is NAFTA creates and United States-Mexico integration creates union jobs.

Seventy percent of the trade surplus between Mexico and the United States which everybody has told you is growing dramatically is in sectors where unionization rates are more than the average of unionization, over 20 percent unionization rates, that is who gets 70 percent of the jobs is these highly unionized sectors.

A small part of the import penetration, I mean most of the import penetration, a small part of the net trade growth occurs in low unionized sectors, in other words, it is the better paid workers, the more highly organized workers.

Frankly, if we had adequate representation of minorities, African-Americans and Latinos in unions, the numbers that I will present to you would be a lot better, but guess what, they are not actually what you would expect from the conventional wisdom that the disproportionate fall is indeed overly on Latinos and African-Americans.

In fact, what you find is that in aggregate terms, and you can move to the final tables 7 and 8 show you the gross amount of jobs, and again we are not talking a lot about a huge number of jobs here, which is frankly why I have said over and over again that this entire debate is completely misguided in terms of blaming Mexico for any possible serious implications it could have one way or another on trade.

We are literally talking about less than about 60,000 jobs being created. That is good, 60,000 jobs being created for Latinos, 80,000 jobs being created for African-Americans, that is good, that is related to exports to Mexico. That is how many new Latino jobs you are creating.

Now, again, that is not going to solve all of our problems, but the point is it is a relatively small number, but it is positive as a result of trade with Mexico, all right? OK. All right.

If we look at the breakdowns, the next page, it shows—what it shows you interestingly enough is that the average white workers in this country get most of those jobs because they are the majority of the work force. Proportionally, though, what we find is that interestingly enough it is not that much different from their proportion to the overall participation in the work force, Latinos and blacks, except interestingly enough for Latinos.

Latinos are in comparison, if you will, Latinos, blacks and whites are the ones that gain the most in proportion to how they participate in the economy. What is interesting about that is that most of the job displacement occurs in sectors where there are more recent immigrants, OK? Very interesting.

The import penetration into the United States is primarily in sectors which more and more relies on recent immigrants. African Americans do much better than Latinos, OK, in terms of how much they share in the job gains versus how much they share in the potential job losses, and white Americans basically it doesn't really affect their share of the population.

The point here is simply that I have used the most extreme possible assumptions as to how many jobs could be lost here. I am talking about every—if we count every single import from Mexico to the United States, right, as having resulted from a plant closing in the United States being moved just like it was described here today that they put the little tools in the box and take it down to Mexico, even if you take that extreme assumption, which we know that is a basically irrelevant part of the exports from Mexico to the United States occur through that type of capital flight, the vast majority of it does not compete with United States workers in the type of imports, but let's assume every single import from Mexico to the United States displaces a United States worker, OK? Let's just take that.

It is still net positive gains strongly for the economy as a whole and for Latinos and for African-Americans as well as for white

workers, OK? There is no way you can get around that. The point here, though, is that we have an experience of what happens when there isn't that type of growth and that type of liberalization in Mexico, and it is the nature of the early 1980's, the slowdown in Mexican growth which not one study will tell you that Mexico is going to grow more if NAFTA goes down, I will tell you that, nobody says that. That translates directly into United States job losses and net job losses for white workers, African-Americans, and Latino workers, and so in a sense I think it is extremely clear, we have an opportunity now with the Clinton administration actually having created even much better than in the European Community in many respects, and which is a ground breaking set of agreements for other trade treaties, but particularly for the North American and United States-Mexico relation or we can basically take the Nancy Reagan approach and just say no, and we kill jobs.

Thank you.

Mr. PETERSON. Thank you. We appreciate your being with us.

Dr. HINOJOSA-OJEDA. Sorry about the time.

[The prepared statement of Dr. Hinojosa-Ojeda follows:]

The Impact of U.S.-Mexico Trade on Latinos and African Americans

**TESTIMONY PRESENTED
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT, HOUSING, AND AVIATION, OF THE
COMMITTEE ON THE GOVERNMENTAL OPERATIONS,
U.S. HOUSE OF REPRESENTATIVES**

by
Raul A. Hinojosa-Ojeda, Ph.D.
Assistant Professor of Planning
University of California, Los Angeles
and
Visiting Scholar
Inter-American Development Bank

November 10 , 1993

Mr. Chairperson, I welcome this opportunity to explain to your committee the evolution of my research and policy recommendations with respect to the link between U.S.-Mexico integration and the economic status of Latinos and African Americans. This is an issue which as a scholar and a policy activist I have devoted many years, starting way before all the attention grabbing debate over NAFTA. I have, in fact, been publishing on these issues for over ten years and as early as 1980, I was involved in organizing the first International Conference on Worker Rights between Mexico and the U.S. As someone born in Mexico and raised in the U.S., I have always sought to make sense of the economic inequality between Mexico and the United States, income inequalities within each countries, and, specifically, racial inequality within the U.S. Growing up in racially integrated South Chicago, in a union household (my mother was a member of ACTWU), and eventually serving as a research director for the first Harold Washington election campaign and transition team -- the original Rainbow Coalition -- I have always been committed to Latino-Black-Labor unity as the bedrock of progressive change in this country. I furthermore believe that it is the responsibility of this movement to seek out a progressive and responsible political-economic relations between the U.S. and the developing world, be in with South Africa, Central America, Haiti or Mexico.

I want to relate to you how I was an early and vocal critic regarding the need to explicitly consider the potential negative impacts of NAFTA on the poorest members of North America, particularly Latinos and Blacks on the U.S. and potential migrants in the agricultural regions of Mexico. In the research I have conducted with my colleges at the University of California I have

sought to look at the good, the bad and the possible. I have applied a wide range of different methodologies, from the most sophisticated CGE models, to historical time-series, macro models with unemployment, to in-depth sectoral analysis from high tech and autos to direct interviews and surveys of street vendors in L.A. I was the first researcher to draw attention three years ago to the particular issues of agricultural workers in Mexico. I have conducted this research not only on a national level, but specific studies in California, Texas, Illinois and New York. I brought these studies for your committee as part of my testimony to be entered in the record.

Let me say to the committee that after the most exhaustive set of investigations that I know of conducted on the issue, the following simple conclusions are absolutely clear:

-As Mexico liberalizes its trade barriers and grows, this is a tremendous benefit for U.S. net exports, especially net manufacturing exports.

-This translates directly into thousands of more unionized and higher paying jobs. This good job growth is much higher and growing more rapidly than the any potential job displacement due to imports or capital flight, even under very extreme and unrealistic assumptions and scenarios.

-Blacks and Latinos have seen their total number of jobs created through exports to Mexico rise dramatically in the last decade, particularly in the last 5 years as Mexico has liberalized and grown. Blacks and Latinos have also seen rapid expansion in the total number of net jobs created, even calculated under the extreme assumption that every import from Mexico is a result of a plant closing in the U.S. and opening up in Mexico for re-export to the U.S. -- the totally exaggerated "loud sucking sound" metaphor.

-While Latinos and Blacks do very well in terms of both gross and net job creation, white workers better (Table 8; Figure 3). Latinos and Blacks participate slightly less in the job gains and are slightly more likely to work in sectors that may be at risk from import competition.

-Interestingly enough, however, Blacks do much better than Latinos and are more similar to the strong positive white gains. Latinos, however, share disproportionately more in the potential job risks than do Blacks or white, confirming the well know fact that import competing sectors are usually the more immigrant intensive.

-Voting down NAFTA will destroy Black and Latino jobs in both total and net terms. When Mexico does not grow, or has to resort to reducing its imports and increasing its exports, U.S. exports

and thus U.S. employment declines, in both gross and net terms. NAFTA has a much bigger impact on Mexico than the U.S. Mexico grows much more with NAFTA, reducing the pressures for out migration. Without NAFTA, Mexico grows much less, translating into less U.S. exports and slightly less U.S. jobs, but out-migration pressures increase, especially with the threat of a devaluation.

In our research we have sought to place in the forefront the issue of who loses as well as who gains and to go beyond that to investigate what is the best set of policy alternatives. Along with the Latino Consensus -- the largest coalition of Latino organization ever assembled to debate and develop a national political position -- I labored to propose a series of detailed policy alternatives to the Bush NAFTA options as to what had to be specifically done to address these inequality and adjustment issues head on. Specifically we proposed the creation of a North American Development Bank as the most effect way of beginning the process of addressing the root causes of regional inequalities. The NADBANK would serve as a regional lending institution designed to finance, coordinate, and implement border and non-border environmental, infrastructure, and community development projects related to continuing North American integration. NADBANK would be organized to invest specifically in the environmental, physical, and social infrastructure that will be needed to bring about an upward convergence in environmental and social standards and practices between Mexico and the United States.

I now come before this committee to report that I am a convinced that NAFTA plus the recent side agreements and related policy proposals must be supported as the best chance we have had in decades, if not the history of U.S.-Mexico relations, to begin dealing with the root causes of regional inequality and establishing the institutional basis for advancing the agenda of economic development and worker rights, which I insist has been and will continue to be my principle agenda issue long after this NAFTA debate.

Failure to support NAFTA at this time will not only squander this historical opportunity, but will increase the economic hardship of exactly the people that we as a compassionate and forward looking society need most desperately to care about.

Evolution of U.S.-Mexico Trade

U.S. trade with Mexico has traditionally represented a highly positive source of economic growth and employment. As Mexico lowered its trade barriers and grew economically from 1987 to 1992, the U.S. gross exports gained dramatically and net exports grew even more rapidly. Figure 1 shows how U.S. exports to Mexico have grown much more than U.S. imports from Mexico. As tables 1-3

indicate, gross exports rose from \$18.8 billion in 1983 to nearly \$40 billion in 1992. Net exports rose from a deficit of nearly \$6 billion to surplus of over \$5 billion during the same period. Manufacturing exports account for the vast majority of this trade, with gross manufacturing exports rising by over 300%, from \$12.8 billion in 1987 to \$37 billion in 1992. Net manufacturing exports grew from a \$.5 billion deficit to an astonishing \$10.9 billion surplus during the same period (Figure 2).

Since virtually all studies on NAFTA predict that it will increase Mexico's growth rate, U.S. exports should accelerate even faster. This is because NAFTA will bring down Mexico's higher trade barriers against U.S. exports much more (250%) than NAFTA will reduce the already low U.S. barriers to Mexican exports. Rejection of NAFTA, however, is unanimously seen as resulting in a reduction of Mexico's growth potential while allowing Mexico to keep its higher trade barriers, thus resulting in a reduction of U.S. exports to Mexico. The poorer performance of the Mexican economy in the early 1980s, and the associated deterioration in U.S. net exports, is the type of impact we can expect with the defeat of NAFTA, if not the magnitude.

U.S. Jobs and Trade with Mexico

These U.S. trade statistics with Mexico translate into very rapid gross job growth and even faster net job growth for the U.S. Since every billion dollars of U.S. exports to Mexico produces about 19,500 jobs, total U.S. jobs supported by exports to Mexico rose from about 191,000 to close to over 800,000 jobs (Figure 3; Table 4).

The Latino Consensus research project of NAFTA which I directed was very interested in examining potential job losses, as well as the job gains. For this purpose we developed a measure of "Net Job Growth" defined as jobs created through exports versus jobs placed at risk from imports or capital flight. It is important to point out that in this definition we take the very extreme assumption that every import from Mexico can place Illinois jobs at potential risk due to import competition or capital flight. The fact is that most imports from Mexico do not compete directly with U.S. production and are not produced as a result of capital flight to Mexico. But even if this were the case, the important point is that the U.S. would still come out a big winner in job creation. Our net results should thus be seen as representing the most conservative estimate of how much U.S. wins in net positive job growth. Using this estimate, net job growth in the last five years rose from -166,000 jobs to positive net of 82,000, a swing of a quarter of a million in net job growth using the most conservative estimate (Figure 4; Table 6).

In addition to positive gross and net job growth, we found

that better types of jobs are created by trade with Mexico. U.S. job gains are highly concentrated in sectors that are better paying with higher than average unionization rates. Figure 5a shows that about two thirds of the net exports from the U.S. to Mexico are produced in sectors with higher than average unionization rates. Imports and potential job displacement occurs in lower paying sectors with lower and or much lower than average unionization rates (Figure 5b-c). As we will see below, the slightly less favorable impact on minorities compared to whites of trade with Mexico would be eliminated if more minorities had access to the better union jobs.

Latinos and African Americans in U.S.-Mexico Trade

Despite these very positive net job gains results, the NAFTA research project of the Latino Consensus was particularly interested in issues of equity and the potential impact of NAFTA on Latinos and African Americans in particular. It was the core concern of the Latino Consensus that issues related to low wage workers be directly address, be they in California, Texas, Illinois, or New York.

Research on the impact of trade between Mexico and the U.S. on Latino African American workers yields surprisingly positive results. These results, by the way are best in the "rust belt" manufacturing state of Illinois, which are even better than the positive results we have found in California and Texas. Table 7-8 presents the data for White, Latino and Black employment growth related to U.S. trade with Mexico. As can be seen, all workers do very well in gross employment terms as the U.S. increases its trade with Mexico. Total Latino employment based on exports to Mexico expanded from about 21,000 to around 79,000 jobs, growing at a rate of nearly 300% from 1987 to 1992. Net job growth for Latinos was strongly positive, growing by 18,000 in the last five years. Latinos in "rust belt" Illinois do much better with employment growing from about 500 to around 2,500 jobs, growing at a rate of over 100% per year from 1987 to 1992. Surprising, the proportion of gross jobs held by Latinos on a national level compared to Whites and Blacks grows by slightly more than their proportion of the workforce, having seen this proportion fall in the early 1980s as U.S. exports to Mexico fell. Latinos, however, share disproportionately more in the potential job risks than do Blacks or white, confirming the well know fact that import competing sectors are usually the more immigrant intensive.

Black workers do even better with expanding trade with Mexico. Total employment related to Mexico rose from 27,000 to 79,000 while their share of jobs related to Mexico exports increased from 9.7% to 10.2% Net job grow is even stronger, increasing by 24,000, representing a even faster growing proportional share of net job

grow compared to Latinos.

This Mexico related Black and Latino job growth, like other trade based job growth, occurs in sectors which are more likely to be unionized and have higher wages. In Illinois, net Latino and Black employment growth is even faster than gross employment growth, reflecting the overall Illinois significant net export potential with Mexico.

While Latinos and Blacks do very well in terms of both gross and net job creation, white workers better (Table 8; Figure 3). Latinos and Blacks participate slightly less in the job gains and are slightly more likely to work in sectors that may be at risk from import competition. This finding is consistent with our findings in California, Illinois, and Texas. In all these states, while we found net positive Latino and Black job growth related to trade with Mexico, Latinos tended to be slightly over-represented in the potential risks and slightly under-represented in the gains of trade with Mexico. While this is also true for Blacks, Blacks to much better than Latinos with their share of participation in job gains and losses are virtually equal.

Surprisingly, however, Latinos in Illinois do better than Latinos in California and Texas. This is primarily due to the fact that Illinois is a much stronger net exporter to Mexico. With less sectors at risk through trade with Mexico, fewer Latinos are at risk since they like other immigrants and minorities tend to work more in import competing sectors.

Conclusion

The findings of this research on Illinois reinforces the previous research of the Latino Consensus and strengthens to a greater degree its policy recommendations. While increased trade with Mexico is clearly a net positive proposition for Latinos, Latinos have just cause to demand that particular attention be given to their needs in the areas of job retraining and community economic development.

FIGURE 1: U.S. TRADE WITH MEXICO
1980-92

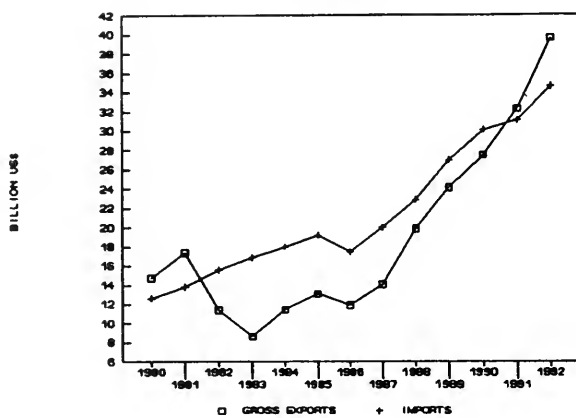


FIGURE 2: U.S. NET EXPORTS WITH MEXICO
TOTAL MERCHANDISE AND MANUFACTURES

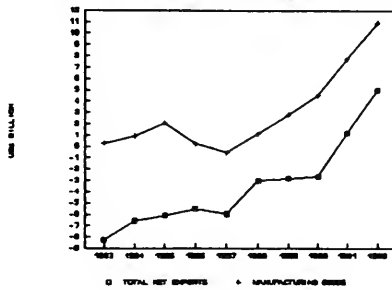


FIGURE 3: U.S. TOTAL JOB GAINS
FROM TRADE WITH MEXICO

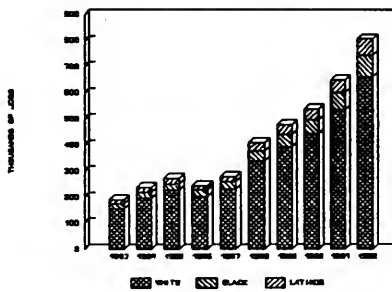
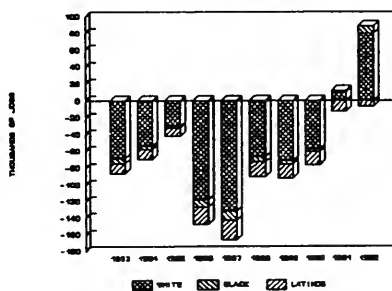


FIGURE 4: U.S. NET JOB GAINS
FROM TRADE WITH MEXICO



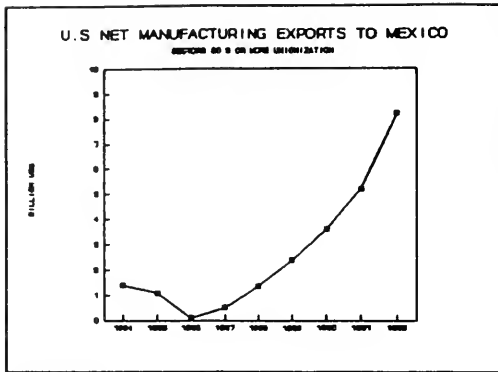


Figure 5.A

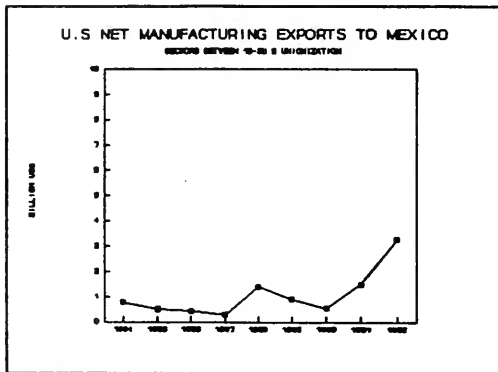


Figure 5.B

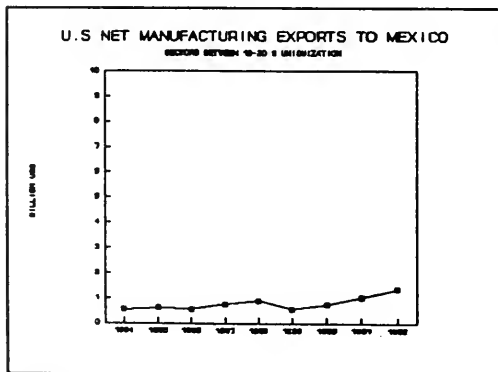


Figure 5.C

TABLE 1
U.S. Exports of Domestic Merchandise to Mexico (f.a.e.)
Million US\$

2-digit SIC Commodity	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGRICULTURE, FORESTRY AND FISHING	1574,417	1531,348	1203,615	664,546	793,296	1364,873	1507,498	1453,916	1441,277	1890,459
Agriculture - crops	1520,282	1467,898	1056,315	571,830	730,534	1210,316	1366,702	1333,995	1212,850	1645,449
Agriculture - livestock	16,584	46,508	122,810	61,810	40,768	123,271	114,137	102,371	200,366	208,025
Forestry	6,641	3,715	5,699	2,402	5,829	5,658	7,047	6,015	14,329	18,355
Fishing and hunting	30,910	13,228	18,881	26,404	15,925	25,427	19,612	9,534	13,332	18,629
Mining	59,980	69,131	81,728	71,054	75,123	87,178	95,881	97,632	127,206	93,050
Metal mining	12,001	15,610	12,826	10,674	15,150	13,328	28,728	35,542	45,960	30,601
Coal mining	7,048	6,638	18,488	11,087	6,608	14,352	3,242	8,203	4,087	3,487
Oil and gas	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Non-metallic minerals	40,931	44,882	50,414	49,293	53,365	59,498	63,910	53,886	77,158	58,942
MANUFACTURING	6823,081	9615,403	11514,885	10967,577	12894,822	17966,640	21801,611	25353,478	30171,730	37117,505
Food products	396,873	494,979	485,528	435,738	422,372	896,366	1238,267	1111,037	1569,342	1971,328
Tobacco products	0,572	1,630	1,042	0,928	0,889	1,041	1,883	2,624	3,737	6,141
Textile mill products	73,749	107,057	167,244	170,357	209,020	286,284	306,967	415,855	434,225	575,815
Apparel	113,067	147,007	162,939	181,969	216,262	288,921	490,476	520,103	707,309	943,838
Lumber and wood products	40,150	58,994	76,837	81,803	109,885	175,359	227,594	274,548	388,706	517,157
Furniture and fixtures	49,140	99,910	103,722	95,841	98,626	149,137	239,167	333,587	346,619	642,120
Paper products	315,645	365,158	394,076	396,410	523,629	710,116	878,932	885,487	1020,165	1274,950
Printing and publishing	60,641	63,846	73,173	77,015	88,495	113,152	92,058	115,922	165,251	221,799
Chemical products	1053,165	1227,474	1356,275	1209,828	1341,998	1705,374	2054,223	2139,264	2387,917	2745,094
Refined petroleum products	151,277	372,541	556,248	388,897	507,546	441,258	668,276	779,071	863,215	1242,432
Rubber and plastic products	151,631	209,460	277,055	298,168	394,865	642,378	787,788	910,973	1040,489	1397,928
Leather products	30,875	41,184	43,236	44,132	57,946	88,186	103,279	104,972	113,864	160,956
Stone, clay and glass products	57,776	100,782	103,559	101,896	128,440	167,734	181,211	250,124	269,682	311,337
Primary metal industries	292,496	415,498	472,922	378,474	540,251	902,007	1279,573	1433,756	1932,171	2197,751
Fabricated metal products	272,169	335,147	380,766	389,090	483,730	950,427	948,273	1122,784	1343,566	1786,696
Industrial machinery and computers	1183,245	1725,782	2196,057	2119,241	2176,176	2928,017	2964,470	3589,453	4280,580	5167,988
Electric and electronic equipment	1330,546	1958,504	2124,964	2308,648	2718,447	3906,953	4670,494	4931,680	5706,460	6948,588
Transportation equipment	771,177	1111,140	1485,111	1243,291	1423,213	1857,966	2533,201	3654,957	4093,155	5229,615
Scientific and measuring instrument	306,481	467,016	589,366	611,296	788,981	1016,021	936,007	1116,903	1442,730	1711,571
Miscellaneous manufactures	172,427	312,294	484,766	432,207	666,071	1039,765	1254,290	1660,378	1880,428	2112,421
OTHER	178,881	245,321	284,024	221,673	281,935	434,654	712,265	562,570	539,005	503,886
Scrap and waste	125,530	175,757	107,239	140,232	208,320	342,295	332,541	279,284	233,344	206,942
Second hand tools	5,876	14,626	24,639	14,385	19,403	28,415	50,952	67,820	113,888	138,394
Military and other miscellaneous	47,477	54,958	72,147	67,052	54,212	63,944	327,771	215,466	191,773	158,530
TOTAL	8636,359	11461,203	13084,252	11926,851	14045,175	19853,345	24117,255	27467,595	32279,218	39604,899

Source: U.S. Department of Commerce

TABLE 2
U.S. Imports of Domestic Merchandise from Mexico (c.i.f.)
Million US\$

2-digit SIC Commodity	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGRICULTURE, FORESTRY AND FISHING										
Agriculture - crops	1432.923	1378.116	1423.646	1973.408	1786.073	1603.665	2090.527	2299.687	2242.291	2011.060
Agriculture - livestock	854.980	860.565	964.534	1311.021	1056.673	965.500	1418.613	1594.277	1597.576	1437.429
Forestry	155.661	112.134	134.963	290.741	256.632	264.648	293.274	443.202	375.704	351.119
Fishing and hunting	12.377	11.438	10.233	10.842	10.436	10.493	8.328	8.185	10.564	10.232
	409.905	393.960	313.917	340.804	462.332	363.024	370.312	554.023	258.447	212.281
MINING										
Metal mining	8387.183	7346.650	7651.921	4062.477	3895.955	3346.836	4507.923	5545.980	4943.227	4709.382
Coal mining	43.087	24.789	16.333	10.780	10.732	18.475	59.759	170.996	76.350	45.001
Oil and gas	0.031	0.000	0.000	0.010	0.968	1.301	1.837	0.270	0.000	0.000
Non-metallic minerals	8190.366	7119.974	7260.933	3495.370	3465.771	3100.162	4214.102	5167.175	4626.899	4480.707
	153.679	201.887	374.655	556.318	198.445	226.900	232.225	227.540	239.978	183.675
MANUFACTURING										
Food products	6547.646	8707.804	9429.043	10726.239	13446.284	16948.711	19001.126	20842.509	22408.929	26203.728
Tobacco products	278.918	344.800	397.077	477.801	639.470	672.946	715.437	831.212	821.960	866.134
Textile mill products	36.142	7.952	5.389	4.621	4.515	4.743	4.742	4.119	3.839	3.359
Apparel	40.011	44.628	34.131	56.650	78.863	74.733	83.573	105.844	123.687	112.287
Lumber and wood products	213.241	288.388	338.046	501.005	671.340	808.299	994.676	1208.055	1499.532	1972.586
Furniture and fixtures	102.305	104.820	97.915	120.878	154.480	196.972	219.900	218.012	251.079	299.159
Paper products	95.208	116.530	159.054	231.796	300.731	433.398	543.502	596.404	670.571	800.694
Printing and publishing	104.418	130.213	146.007	193.957	254.512	319.801	378.480	198.764	127.686	127.686
Chemical products	15.271	16.956	19.409	22.987	22.212	30.212	35.756	46.121	67.239	82.023
Refined petroleum products	313.987	506.654	443.861	325.828	389.878	347.106	595.265	665.862	698.452	839.942
Rubber and plastic products	495.423	834.701	709.593	344.390	208.809	218.836	133.982	229.860	198.928	282.351
Leather products	61.076	96.445	132.568	212.614	187.523	314.459	298.543	291.905	312.853	344.081
Stone, clay and glass products	93.125	117.842	132.129	136.001	187.523	220.289	255.634	252.111	235.221	324.065
Primary metal industries	198.937	291.867	338.849	383.823	477.750	508.153	550.208	544.487	534.272	570.215
Fabricated metal products	762.375	898.045	610.163	774.703	972.600	1122.190	1482.352	1286.088	1007.443	1031.078
Industrial machinery and computers	221.014	283.864	264.402	267.735	339.973	475.907	610.433	660.833	685.716	706.617
Electronic and electrical equipment	414.975	578.721	657.432	773.052	1154.539	1565.224	1500.905	1394.971	1445.754	1766.417
Transportation equipment	2133.154	2697.916	3405.953	3971.476	5311.086	5311.086	6462.671	6846.371	7335.279	8726.968
Scientific and measuring instrument	670.888	974.265	1533.587	1946.562	2792.476	3128.603	3108.285	4239.190	4782.222	5633.137
Miscellaneous manufactures	156.271	214.835	346.271	343.154	416.233	544.278	636.666	788.983	901.230	1077.770
	140.927	136.362	174.230	217.309	253.816	351.475	420.153	433.095	487.967	547.225
OTHER										
Scrap and waste	489.816	570.706	683.679	683.820	880.640	1073.540	1347.795	1439.141	1493.043	1667.665
Second hand tools	39.314	54.328	50.957	80.019	80.019	96.534	93.741	107.179	109.063	151.472
Military and other miscellaneous	42.876	37.544	101.163	51.129	73.187	45.167	11.746	18.435	13.777	10.336
	407.626	456.834	531.560	569.595	727.435	931.839	1242.308	1313.327	1370.203	1505.857
TOTAL	16857.588	18003.276	19188.290	17445.944	20008.932	22872.752	26947.371	30127.317	31007.490	34591.836

Source: U.S. Department of Commerce

TABLE 3
U.S. NET MERCHANDISE EXPORTS TO MEXICO
Million US\$

2-digit SIT Commodity	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGRICULTURE, FORESTRY AND FISHING	141.494	151.233	(220.031)	(1,308.862)	(992.777)	(238.792)	(583.029)	(845.771)	(801.014)	(120.602)
Agriculture - crops	665.334	607.334	91.782	(1,308.862)	(325.839)	154.818	(51.911)	(260.281)	(384.746)	208.021
Agriculture - livestock	(139.077)	(65.646)	(12.153)	(228.932)	(215.925)	(51.378)	(179.137)	(340.831)	(175.118)	(143.094)
Forestry	(5.735)	(7.723)	(4.624)	(6.340)	(4.606)	(4.385)	(1.281)	(0.170)	3.905	8.123
Fishing and hunting	(378.996)	(380.732)	(295.036)	(334.400)	(446.407)	(337.597)	(350.699)	(244.489)	(245.115)	(193.651)
MINING	(8,327.203)	(7,277.519)	(7,570.193)	(3,991.423)	(3,820.812)	(3,259.659)	(4,412.043)	(5,448.348)	(4,816.021)	(4,616.332)
Metal mining	(9.179)	(9.179)	(3.508)	(0.106)	4.417	(5.147)	(135.454)	(135.454)	(30.389)	(14.400)
Coal mining	7.016	8.638	18.488	11.077	5.620	13.051	1.406	7.934	4.087	3.487
Oil and gas	(8,190.366)	(7,119.974)	(7,260.933)	(3,495.370)	(3,685.771)	(3,100.162)	(4,214.102)	(5,147.175)	(4,626.899)	(4,480.707)
Non-metallic minerals	(112.748)	(157.004)	(324.240)	(507.025)	(145.079)	(167.402)	(168.315)	(173.653)	(162.820)	(124.712)
MANUFACTURING	275.615	907.598	2,085.842	261.339	(551.462)	1,117.929	2,800.485	4,510.969	7,762.801	10,913.776
Food products	117.955	150.170	88.451	(42.043)	(217.298)	223.420	522.830	279.824	747.282	1,055.193
Tobacco products	(35.570)	(6.322)	(4.347)	(3.693)	(3.625)	(3.702)	(2.859)	(1.496)	(0.082)	2.782
Textile mill products	33.737	62.429	111.113	113.707	130.157	211.551	223.395	310.011	310.538	463.529
Apparel	(100.194)	(147.381)	(175.107)	(319.037)	(457.079)	(519.378)	(504.200)	(487.951)	(792.222)	(1,026.748)
Lumber and wood products	(62.155)	(47.826)	(21.078)	(39.075)	(44.615)	(21.433)	7.694	56.534	137.427	217.997
Furniture and fixtures	(46.068)	(16.619)	(55.333)	(135.955)	(202.106)	(284.261)	(304.355)	(283.017)	(123.951)	(158.574)
Paper products	211.227	234.945	248.069	204.453	269.117	390.314	500.472	686.701	892.479	1,147.465
Printing and publishing	45.371	46.889	53.764	54.028	66.280	82.940	56.302	69.800	98.012	139.776
Chemical products	739.177	720.820	912.414	884.002	952.120	1,158.267	1,458.958	1,473.402	1,689.465	1,905.152
Refined petroleum products	(344.147)	(482.160)	(153.345)	44.506	298.737	222.421	534.314	549.211	646.289	960.081
Rubber and plastic products	90.555	115.015	144.467	120.134	182.251	327.919	489.244	619.068	727.836	1,053.109
Leather products	(62.250)	(76.658)	(88.893)	(91.869)	(129.577)	(132.103)	(152.356)	(147.139)	(141.356)	(163.109)
Stone, clay and glass products	(141.161)	(191.085)	(235.290)	(281.926)	(349.310)	(340.419)	(368.998)	(294.363)	(284.591)	(258.879)
Primary metal industries	(649.879)	(482.548)	(137.241)	(396.229)	(432.349)	(220.183)	(172.779)	147.669	924.727	1,166.675
Fabricated metal products	51.155	51.282	116.344	121.355	143.757	174.520	337.841	461.951	659.850	990.139
Industrial machinery and computers	748.270	1,142.042	1,539.425	1,346.189	1,021.637	1,362.703	1,443.765	2,194.483	2,434.826	3,401.370
Electric and electronic equipment	(802.408)	(739.412)	(863.906)	(1,097.305)	(1,273.299)	(1,404.134)	(1,467.178)	(1,914.690)	(1,828.820)	(1,778.380)
Transportation equipment	150.289	136.874	(48.476)	(703.271)	(1,209.263)	(1,209.638)	(575.085)	(584.233)	(689.067)	(403.522)
Scientific and measuring instrument	252.181	252.181	325.056	248.491	372.747	471.743	299.341	327.920	541.499	633.802
Miscellaneous manufactures	31.500	175.932	310.536	214.897	412.255	688.290	834.137	1,227.284	1,392.460	1,565.196
OTHER	(310.955)	(325.385)	(310.655)	(462.146)	(598.705)	(638.887)	(635.530)	(876.571)	(954.037)	(1,163.779)
Scrap and waste	86.217	119.430	136.282	77.140	128.301	245.761	239.400	172.105	124.282	55.490
Second hand tools	(37.002)	(42.918)	(76.523)	(36.744)	(53.784)	(16.752)	39.207	49.185	100.111	128.058
Military and other miscellaneous	(360.149)	(401.897)	(459.413)	(502.543)	(673.222)	(687.895)	(914.536)	(1,097.861)	(1,178.430)	(1,347.327)
TOTAL	(8,221.229)	(6,542.073)	(6,104.037)	(5,521.093)	(5,943.757)	(3,019.408)	(2,830.116)	(2,659.721)	1,191.728	5,013.063

Source: U.S. Department of Commerce

TABLE 4
U.S. JOB GAINS FROM TOTAL MERCHANDISE EXPORTS TO MEXICO
-- THOUSANDS OF DIRECT AND INDIRECT JOBS

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGRICULTURE, FORESTRY AND FISHING										
Agriculture - crops	60	55	55	34	36		69	62	78	96
Agriculture - livestock	45	44	31	17	22		33	40	36	49
Forestry	2	3	14	7	3		25	12	24	24
Fishing and hunting	7	4	6	5	6		6	9	16	20
	6	2	3	3	3		5	2	2	3
MINING										
Metal mining	3	4	6	4	4		6	5	6	4
Coal mining	1	1	1	1	1		1	2	2	1
Oil and gas	1	2	4	2	1		3	2	1	1
Non-metallic minerals	0	0	0	0	0		0	0	0	0
	1	1	2	2	2		2	2	2	2
MANUFACTURING										
Food products	128	178	210	207	240		333	470	546	706
Tobacco products	4	5	5	4	4		8	10	15	18
Textile mill products	0	0	0	0	0		0	1	1	1
Apparel	4	6	8	9	11		15	22	23	31
Lumber and wood products	10	13	14	16	18		25	42	61	81
Furniture and fixtures	1	1	1	1	1		2	3	5	6
Paper products	5	6	6	6	8		3	5	7	13
Printing and publishing	4	4	4	5	5		7	14	16	20
Chemical products	15	18	20	18	19		25	31	35	40
Refined petroleum products	2	3	7	7	5		6	9	10	16
Rubber and plastic products	4	6	8	8	11		18	26	29	40
Leather products	0	0	0	0	0		0	0	0	1
Stone, clay and glass products	2	4	4	4	5		7	10	11	13
Primary metal industries	6	9	10	8	8		19	28	31	47
Fabricated metal products	7	9	10	10	12		16	23	28	44
Industrial machinery and computers	26	38	48	47	48		65	79	94	116
Electric and electronic equipment	26	39	42	46	34		78	96	113	138
Transportation equipment	8	12	15	13	15		19	26	38	54
Scientific and measuring instrument	2	4	5	5	6		8	9	11	13
Miscellaneous manufactures	0	0	1	0	1		1	2	2	2
TOTAL	191	237	271	245	280		408	538	649	806

Source: Own estimates

TABLE 5
U.S. JOBS AT RISK DUE TO MERCHANDISE IMPORTS FROM MEXICO
-- THOUSANDS OF DIRECT AND INDIRECT JOBS

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGRICULTURE, FORESTRY AND FISHING										
Agriculture - crops	131	122	112	150	156	137	152	154	150	133
Agriculture - livestock	25	26	29	39	31	29	42	47	47	43
Forestry	18	13	16	34	30	31	34	52	44	41
Fishing and hunting	74	71	57	65	83	65	67	46	47	38
MINING										
Metal mining	7	8	13	18	7	8	11	16	11	8
Coal mining	2	1	1	1	1	1	3	8	4	2
Oil and gas	0	0	0	0	0	0	0	0	0	0
Non-metallic minerals	5	6	12	18	6	7	7	7	8	6
MANUFACTURING										
Food products	139	177	189	224	283	353	407	444	489	583
Tobacco products	3	3	4	4	6	6	7	8	8	8
Textile mill products	7	2	1	1	1	1	1	1	1	1
Apparel	2	2	2	3	4	4	4	6	7	6
Lumber and wood products	18	25	29	43	58	69	86	104	129	170
Furniture and fixtures	1	1	1	2	2	2	3	3	3	4
Paper products	2	2	3	5	6	9	11	12	16	17
Printing and publishing	2	2	2	3	4	5	6	5	2	2
Chemical products	1	1	1	1	1	2	2	3	4	5
Refined petroleum products	5	7	6	5	6	8	9	10	10	12
Rubber and plastic products	7	11	9	5	3	2	2	3	3	4
Leather products	2	3	4	5	5	6	8	8	9	10
Stone, clay and glass products	0	0	0	0	1	1	1	1	1	1
Primary metal industries	8	12	14	16	20	21	23	22	22	24
Fabricated metal products	16	19	13	17	21	24	31	28	22	22
Industrial machinery and computers	5	7	6	7	8	12	15	16	17	20
Electric and electronic equipment	9	13	14	17	25	35	33	31	32	39
Transportation equipment	42	54	59	68	79	106	128	136	150	173
Scientific and measuring instrument	7	10	16	20	28	32	32	44	50	58
Miscellaneous manufactures	1	2	2	3	3	4	5	6	7	8
TOTAL	277	307	314	392	446	498	570	614	649	724

Source: Our estimates

TABLE 6
U.S. NET JOB GAINS FROM TRADE WITH MEXICO
-- THOUSANDS OF DIRECT AND INDIRECT JOBS

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGRICULTURE, FORESTRY AND FISHING										
Agriculture - crops	(71)	(67)	(57)	(116)	(121)	(67)	(87)	(92)	(72)	(37)
Agriculture - livestock	20	18	3	(22)	(10)	5	(2)	(8)	(11)	6
Forestry	(16)	(8)	(1)	(27)	(25)	(6)	(21)	(40)	(21)	(17)
Fishing and hunting	(68)	(68)	(53)	(60)	(81)	(61)	(1)	(10)	4	9
MINING										
Metal mining	(4)	(4)	(7)	(14)	(3)	(3)	(7)	(10)	(6)	(4)
Oil and gas	(2)	(0)	(0)	(0)	0	(0)	(2)	(7)	(1)	(1)
Non-metallic minerals	1	2	4	2	1	3	0	2	1	1
	0	0	0	0	0	0	0	0	0	0
	(4)	(5)	(10)	(16)	(5)	(5)	(5)	(6)	(5)	(4)
MANUFACTURING										
Food products	(11)	1	21	(17)	(42)	(20)	2	26	77	123
Tobacco products	1	1	1	(0)	(2)	2	5	3	7	10
Textile mill products	(7)	(1)	(1)	(1)	(1)	(1)	(1)	(0)	(0)	1
Apparel	2	3	6	6	7	11	12	17	17	25
Lumber and wood products	(9)	(12)	(15)	(27)	(39)	(45)	(43)	(59)	(68)	(88)
Furniture and fixtures	(1)	(0)	(0)	(0)	(1)	(0)	0	1	2	3
Paper products	(1)	(0)	(1)	(3)	(4)	(6)	8	(5)	(3)	(3)
Printing and publishing	3	4	4	3	4	6	11	11	14	18
Chemical products	3	3	3	3	3	5	3	4	6	8
Refined petroleum products	11	10	13	13	14	17	21	21	24	28
Rubber and plastic products	(5)	(6)	(2)	1	4	3	7	7	9	13
Leather products	3	3	4	3	5	9	14	18	21	30
Stone, clay and glass products	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)
Primary metal industries	(6)	(8)	(10)	(12)	(14)	(15)	(15)	(12)	(11)	(11)
Fabricated metal products	(10)	(10)	(3)	(9)	(9)	(5)	(4)	3	20	25
Industrial machinery and computers	1	1	3	3	4	4	8	11	16	24
Electric and electronic equipment	17	25	34	30	23	30	32	48	62	75
Transportation equipment	(16)	(15)	(17)	(22)	(25)	(28)	(37)	(38)	(36)	(35)
Scientific and measuring instrument	1	1	(1)	2	(13)	(13)	(6)	(6)	(7)	(4)
Miscellaneous manufactures	1	2	3	2	3	4	2	3	4	5
	0	0	0	0	0	1	1	1	1	2
TOTAL	(86)	(69)	(42)	(147)	(166)	(90)	(92)	(77)	(0)	82

Source: Own estimates

TABLE 7
NET JOB GAINS FROM TRADE WITH MEXICO
Thousands of workers

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
JOB GAINS SUPPORTING EXPORTS TO MEXICO										
White	191	237	271	245	280	408	478	538	649	806
Black	157	197	227	204	232	340	394	443	536	683
Hispanic	18	21*	24	23	27	38	47	54	65	82
	18	20	20	18	21	30	37	40	48	61
JOB LOSS AT RISK DUE TO IMPORTS FROM MEXICO										
White	277	307	314	392	448	498	570	614	649	724
Black	226	251	257	322	384	407	485	501	528	583
Hispanic	22	25	26	32	38	45	51	57	63	73
	29	31	31	39	44	48	54	56	61	68
NET JOB GAINS FROM TRADE WITH MEXICO										
White	(86)	(69)	(42)	(147)	(186)	(90)	(92)	(77)	(0)	82
Black	(68)	(54)	(30)	(118)	(132)	(87)	(71)	(58)	10	80
Hispanic	(6)	(3)	(2)	(9)	(11)	(6)	(4)	(3)	2	9
	(11)	(12)	(11)	(21)	(24)	(17)	(17)	(16)	(13)	(7)

TABLE 8
NET JOB GAINS FROM TRADE WITH MEXICO
Percentage

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
JOBS GAINS SUPPORTING EXPORTS TO MEXICO										
White	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Black	82.1%	82.8%	83.6%	83.3%	82.9%	83.4%	82.4%	82.5%	82.5%	82.2%
Hispanic	8.6%	8.9%	9.0%	9.5%	9.7%	9.4%	9.9%	10.1%	10.0%	10.2%
	9.3%	8.3%	7.5%	7.2%	7.3%	7.3%	7.7%	7.4%	7.4%	7.6%
JOBS AT RISK DUE TO IMPORTS FROM MEXIC										
White	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Black	81.5%	81.8%	81.9%	82.1%	81.6%	81.6%	81.6%	81.6%	81.0%	80.5%
Hispanic	10.5%	8.0%	8.2%	8.1%	8.5%	8.9%	9.0%	9.3%	9.7%	10.1%
		10.2%	9.9%	9.6%	9.9%	9.3%	9.4%	9.1%	9.4%	9.4%

TUESDAY, SEPTEMBER 14, 1993 A13

Losing Ground

In Latest Recession, Only Blacks Suffered Net Employment Loss Firms Added Whites, Asians And Hispanics Overall, But They Deny Any Bias Effects of Seniority, Location

By ROCHELLE SHARPE

Staff Reporter of THE WALL STREET JOURNAL
The last recession seriously eroded equal opportunity for America's black workers.

Blacks were the only racial group to suffer a net job loss during the 1990-91 economic downturn, at the companies reporting to the Equal Employment Opportunity Commission. Whites, Hispanics and Asians, meanwhile, gained thousands of jobs, according to a Wall Street Journal analysis of EEOC records.

The computer-aided study shows that some of the nation's largest corporations shed black employees at the most disproportionate rate. At Dial Corp., for instance, blacks lost 43.6% of the jobs cut, even though they represented 26.3% of Dial's

Unequal Opportunity

Related charts, tables and articles on pages A12-A13 describe:

- Companies where blacks' share of job losses most exceeded their share of the overall work force.
- The impact of job cuts on blacks at individual companies with employment losses.
- Why blacks at some companies maintained their share of jobs despite large corporate-wide cutbacks.
- How major racial and ethnic groups fared in various job categories during the 1990-91 recession.

work force going into the recession. At W.R. Grace & Co., they held 32.2% of the jobs cut, while they accounted for 13.1% of the company's pre-recession payroll. At BankAmerica Corp. and ITT Corp., blacks lost jobs at more than twice the rate of their companies' overall work-force reductions.

Companies say the sudden demographic shift is a statistical fluke, the unintentional fallout of corporate cutbacks and reorganizations. But some civil-rights advocates argue that something more insidious is going on.

ism," says George Fraser, who publishes directories of black professionals. "People don't even know these patterns and behaviors are being initiated until you begin to see the pieces of the puzzle together and look at the numbers."

In an analysis of the 35,121 companies that filed EEOC reports for more than 40 million workers in both 1990 and 1991, the Journal found:

- Blacks lost a net 59,479 jobs at these businesses during the recession, which officially began in July 1990 and ended in March 1991. Overall, blacks' share of jobs at the companies dropped for the first time in nine years, wiping out three years of gains. Black employment at the companies fell in 36 states and in six of nine major industry groups.

- By contrast, Asians and Hispanics, who in recent years have become more vocal about getting their share of jobs,

Net Employment Changes

From 1990 to 1991, in thousands, at companies reporting to EEOC



Source: Wall Street Journal study

both made gains. Asians gained a net 55,104 jobs during the recession and Hispanics a net 60,040 jobs. Whites, who outnumber blacks nearly eight to one at these companies, gained 71,144 jobs.

- Black workers were especially hard hit in blue-collar jobs, losing nearly one-third of the net 180,210 such slots lost. They were the only group to lose service-worker positions, dropping 16,630 such jobs while businesses added 53,548 new ones. They were the only group to lose sales jobs.

- Blacks did show some progress in several highly prized white-collar job categories. They gained a disproportionately high number of managerial, professional and technical jobs. But they held such a small percentage of these jobs before the recession began that their actual gains were meager. Companies added a net 2,719 black managers during the recession, bringing the 1991 number to 248,915, which is just 5.2% of the total for all races.

Even with the job losses, black workers represent a higher share of the staffs of EEOC companies than of the U.S. population (11.8%) or of the overall U.S. work force (10.4%). Considering the size and locations of the EEOC companies, they could be expected to have more than the nationwide proportion of black workers.

Yet blacks, who accounted for 12.5% of the work force of companies filing with the EEOC, not only lost a disproportionately high share of jobs in companies that cut staff, but also gained a disproportionate

Please Turn to Page A12, Column 1

Continued From First Page

ately low share of positions added during the recession. They lost 15% of the jobs at the roughly half of EEOC firms that had net employment cuts, and gained just 11.4% of new jobs at firms that added staff.

"The recession in America means depression in the black community," says Carol Massey, president of the Los Angeles chapter of the National Black MBA Association.

The losses can be partially explained by blacks' relatively low seniority in companies and their heavy concentration in the types of jobs eliminated: Corporations' continuing decisions to abandon inner-city offices, factories or franchise outlets didn't help blacks, either.

But the demographic change suggests something more fundamental has occurred, a pronounced shift in the way affirmative action operates. Several companies with poor records of retaining blacks say they were mostly concerned with their aggregate minority employment rates and never calculated whether blacks bore a disproportionate share of cutbacks. Thus, they could claim to the government continued progress by minorities as a whole even as blacks were suffering reversals—in some cases dramatic ones.

Black workers had their biggest setbacks at retailers. About half of their losses were in retailing, where blacks lost jobs at a 50% higher rate than the overall work force.

At Sears, Roebuck & Co., for example, blacks lost 34.3% of jobs cut, according to the company's original filing with the EEOC. After extensive interviews with the Journal, the company said it discovered a gargantuan addition error in the numbers it gave the government and printed in its annual reports for three years—a mistake that exaggerated blacks' proportion of job losses. The revised records, which the EEOC is now investigating for accuracy, still show blacks losing a disproportionate 20% of the jobs cut by Sears. The company's work force was 15.8% black in 1990.

SEARS SAYS ITS BLACK work force wasn't hurt because of inattention to diversity, but by the need to eliminate expensive distribution centers in the inner cities. The giant retailer closed two major urban distribution centers in 1991, relocating part of its operations to suburbs largely inaccessible to blacks without cars.

"It's not like we set out to eliminate black jobs," says a Sears spokesman. "We set out to streamline our catalog and distribution centers to make them more competitive." The centers, built in the early 1980s, had been designed to house relatively small merchandise and be accessible to railroads, the spokesman says. The new ones, he says, are built in the suburbs to be more convenient to trucks.

But several former black managers at Sears believe that corporate indifference toward affirmative action caused them problems during the recession and that this attitude grew throughout the 1990s as federal enforcement declined. "It appeared the company discontinued its emphasis on having a diversified work force," says Bob Johnson, Sears's first black vice president, who retired in 1991.

Like Sears, most companies say blacks' job losses were completely unrelated to affirmative action. At W.R. Grace, for instance, where blacks lost jobs at more than twice the rate of overall work-force cuts, officials say the drop was due entirely to Grace's extensive restructuring.

Fred Bona, a manager at the Lake Charles, La., catalyst manufacturing plant, says the company has never been accused of basic racial discrimination. He says the company's workforce is made up of blacks, whites, and hispanics. He says the company's workforce is made up of blacks, whites, and hispanics.

But some black employees complain of persistent racial bias. "They are very, very prejudiced," Frank Bellow, a machinist, says of Grace's management at its Lake Charles, La., catalyst manufacturing plant. When the company makes personnel decisions, he asserts, they revert "to the old Jim Crow ways."

Mr. Bona says Grace has addressed the black employees' complaints.

Critics consider many companies' explanations about black job losses hollow excuses, designed to hide unspoken bias. Charges Wesley Porriotti, who heads Wesley, Brown & Bartle, one of the nation's oldest minority search firms: "There's a deep sourness in corporate America that they had to hire minority professionals. Downsizing has been their first opportunity to strike back."

For many firms that cut a high percentage of blacks in the recession, the reasons are the same: They closed or sold operations in inner cities. But whether the cutbacks reflect bias isn't easily clear.

McDonald's Corp., for instance, says the statistics that blacks accounted for 36.5% of its job losses in the 1990-91 period merely reflects the sale of 270 company-owned restaurants to franchisees. While most of these blacks probably now have jobs with the new franchisees, the corporate switch could indicate McDonald's was unloading many of its inner-city restaurants to blacks; the fast-food chain

declines to say where the stores are located, but contends the changes reflect nothing about its inner-city policies.

Yet what looks like abandoning the inner city may really be giving economic opportunity to an underprivileged group. Even attorneys who sued McDonald's on behalf of black franchisees credit the company with giving blacks liberal franchising terms, making it possible for some to own a business for the first time in their lives.

Geography plays a major role in black employment patterns. At BankAmerica, blacks did poorly during the recession because of attrition combined with the fact that the company expanded in states that have low black populations, such as Arizona and New Mexico, says spokesman Russ Yarrow. Blacks accounted for 28.4% of the loss, even though they made up just 7.9% of the company's work force before the recession.

Companies say they didn't deliberately reduce their black work force. A high percentage of blacks

got laid off, though, because they held more of the jobs companies decided to eliminate. ITT says its black work force was hurt when it stopped managing the Sheraton hotels in Dallas, St. Louis and West Palm Beach, Fla. Blacks accounted for 27.4% of the jobs lost at ITT during the economy slump, despite constituting 11.3% of the company's pre-recession work force, primarily because of these hotel losses, says Jim Gallagher, an ITT spokesman. Blacks held 402 of the 1,169 jobs at these hotels, mainly as waitresses and room attendants, he says.

the most expendable jobs. Blacks held half of all plant workers and positions in the lower job categories. When companies made job employment cuts, office and clerical, skilled, semi-skilled and laborer, according to EEOC records.

Many companies may not even realize how their black employment shrank during the recession. Personnel executives often focus primarily on minorities' overall progress, in part because that is

what the federal government focuses on when it evaluates affirmative action efforts.

Even at companies with aggressive diversity programs, such as Dial, black workers can lose ground. Dial says its attorneys carefully reviewed layoff plans for adverse impact before any downsizing took place. But company officials say they assessed the effect on overall minority and female employment rather than on blacks, Hispanics or Asians separately.

BLACKS AT DIAL LOST JOBS at a rate two-thirds higher than did its work force as a whole. Dial's overall record for minorities, however, looks exemplary, especially if white females are included, because Dial added Asians and American Indians and laid off a disproportionately small percentage of white women.

"I feel confident that the process we established ensures equitable treatment," says Joan Ingalls, Dial's vice president of human resources. "It's not appropriate to offer preferential treatment."

Like Dial, Sears boasts of inroads made by its minority staff, which occurred because Asians and Hispanics fared better during the recession than Sears' overall work force. Comparing blacks' achievements to other minorities is "a skewed point of view," says William Giffin, Sears's director of human resources. What matters, he says, is Sears's overall minority employment record. "What we hold our managers accountable for is work-force diversity."

Civil-rights attorneys are skeptical of such explanations. "The first thing that makes me suspicious is if companies are aggregating all the minorities together," says Barry Goldstein, a prominent civil-rights lawyer.

But the Office of Federal Contract Compliance Programs, which investigates discrimination at businesses that receive government money, decides which companies to audit by analyzing their records on overall minority employment. Only after companies are selected for an audit will investigators consider examining records on individual ethnic or racial groups, says Annie Blackwell, the program's policy director. And they will do the individual ethnic analysis, she says, only "if there's a reason to do it."

Civil-rights advocates argue that under the guise of fairness for all, employers can hide differential

against minorities, says Allen Hernandez, who was an EEOC commissioner under President Johnson.

For years, advocates such as Mr. Hernandez have considered the federal government itself as a watchdog. They complain that agencies such as the EEOC began being trimmed during the Reagan administration, and officials started promoting the notion of lumping all minorities together to treat them as one big disadvantaged group. The EEOC also shifted its enforcement efforts away from class-action suits against companies, focusing instead on individual cases of discrimination.

Affirmative action was weakened even more during the recession because of a series of Supreme Court decisions that made it harder for individuals to sue companies for discrimination. By the late 1980s, companies were much more fearful of private litigators than the government, says Jonathan Leonard, a professor at the University of California at Berkeley, who studies workplace discrimination. With the court's *Wards Cove* decision in 1989, which made it tougher for minorities to use statistics to prove racial bias, companies suddenly became nearly immune to job discrimination challenges until the Civil Rights Act was passed in 1991, he argues.

At Sears, Mr. Johnson, the former vice president, and other black employees say they felt the impact of Reagan and Bush administration policies almost immediately. They saw the government's broad-based race and gender discrimination investigation into Sears during the late 1970s transformed into a weak sex-discrimination case in the 1980s that the company ultimately won. And in the middle of the EEOC's lawsuit against Sears, they watched then-Sears Chairman Edward Telling stop doing business with the federal government to protest what he perceived as the Labor Department's "campaign of harassment."

What resulted, says Mr. Johnson, was a gradual, steady erosion of black workers that occurred quietly and with little discussion. The number of blacks who held the key buyers' jobs dwindled from 26 in 1981 to 14 in 1985 to seven or eight in 1990, he says. Sears won't release the numbers, but says the drop of blacks was proportional.

The reduction wasn't due to any deliberate campaign to eliminate blacks, Mr. Johnson and others say. It was a combination of the old-boy network playing a stronger role during layoff decisions, they say, plus black workers getting so discouraged by the atmosphere that they became eager to take early retirement buyouts.

Barbara Samuels, who joined Sears in 1963, says she took early retirement at age 54 in 1991 because "I felt the place was being detrimental to my mental and physical health." One month after she was named the company's buyer of the year in 1987, she says, her boss gave her a performance evaluation of only "meets expectations." Another supervisor delighted in telling ethnic and sexist jokes around her, she says.

Sears declines to comment on Ms. Samuels's experience, but a spokesman says it has strived to create a work environment that "is sensitive to employees." Although blacks bore a disproportionate share of job losses at Sears in the recession, their share of the Sears work force—15.8%—was notably higher than blacks' representation in the overall U.S. work force.

A Certain Number of Blacks in the Work Force
Corporate America
began to realize that all these years of their "diversity" programs would eventually be hired back to take jobs in the newly restructured divisions, something that rarely happened to them. "It's the old FBI syndrome: friends, brothers and in-laws," says Bill Hawkins, who runs a search firm in Los Angeles. "If you don't have an FBI, you're in a good position to lose your position."

Blacks who held jobs involving public contact had an especially rough time during the recession, EEOC records show.

They lost 5,823 sales jobs overall in 1991, for instance, even though companies added a net total of more than 63,000 white, Asian and His-

panic sales workers. "There's a continuing problem that white companies will not buy from a black salesman," says John Work, a career consultant and author of "Race, Economics and Corporate America."

At least one recent study suggests that racism still plays a role in some personnel decisions. In 1990, the Urban Institute sent out teams of black and white job applicants with equal credentials. The men applied for the same entry-level jobs in Chicago and Washington, D.C., within hours of each other. They were the same age and physical size, had identical education and work experience, and shared similar personalities. Yet in almost 20% of the 476 audits, whites advanced farther in the hiring process, researchers found.

"The simple answer is prejudice," says Margery Turner, a senior researcher at the Urban Institute involved in the study. "Clearly, blacks still suffer from unfavorable treatment."

OF COURSE, NOT ALL job applicants have similar credentials. Most blacks can't even be considered for highly skilled jobs because they don't have enough education. Only 13.1% of blacks in the work force have college degrees, compared with 24.6% of whites and 38.6% of Asians, according to the 1990 Census.

The better-educated Asians managed to gain jobs even in states that cut tens of thousands of workers. Overall, Asians gained jobs in midsize and big businesses in 39 states, while blacks lost ground in 36 states.

Blacks were hit particularly hard in Florida, losing jobs at EEOC corporations at a rate more than five times that of the overall work-force reductions. They were the only racial group to lose jobs there as well as in Illinois, where 43.4% of jobs lost were held by blacks; in 1990 they represented 13.4% of all workers in the state. Their work force was decimated in New York, where they lost more than 21,000 of the 81,746 jobs cut in businesses. And they also got slammed in California, losing more than 11,000 of the 72,230 jobs eliminated while Asians were gaining more than 9,000 positions.

Only in three Southern states—Alabama, Arkansas, and Louisiana—did blacks add a substantial number of jobs. But even there, they got stuck in lower skilled, blue collar jobs. And their seniority saves many blue collar workers from the unemployment line these days.

Since blacks were often among the last hired for these jobs, they were frequently the first to go. At USX Corp., which lost nearly a tenth of its already decimated work force in 1991, employees at some plants had to have almost 20 years' experience to keep their jobs. Blacks lost nearly 20% of those jobs lost at the company, even though they made up just 12.6% of the work force going into the recession.

Discrimination problems in the steel industry were supposed to have been solved in the 1970s, when the EEOC required companies to change their rules on promotions and transfers. Until then, openings weren't posted throughout plants, and people who wanted to change departments lost their seniority.

Initially, the changes helped blacks get better jobs. Even if they had been hired into a dirty, dangerous unit, they had the chance to learn about and accept better positions, knowing their seniority was secure.

But at USX, the new rules that allowed blacks' advancement in the 1970s ended up accelerating their job losses in the 1980s, when the company had massive layoffs. That's because of USX's plantwide labor pool, which allowed blue-collar workers who were laid off to bump people out of jobs in other departments, if they met qualifications and had seniority.

Blacks who could overcome the seniority hurdles often stumbled when faced with the company's new testing requirements, says Billy Hawkins, chairman of a union grievance committee at USX's plant in Gary, Ind. Suddenly, blacks with 25 years' seniority were being rejected for jobs because they couldn't read rulers—even though rulers weren't even used on the jobs. USX says the stiffer tests are all job related and needed since the steel industry is more technology-driven than before.

Blacks could no longer get training to qualify for skilled jobs either, as USX eliminated its craft-training programs in the mid-1980s because of the availability of unemployed craftsmen. As a result, parts of the plant that were traditionally black have started turning white, Mr. Hawkins says.

"It's really ironic," adds Frank Webster, another union representative. "Blacks were caught by the very thing that was supposed to protect them. We're seeing the end results of discrimination. We're right back to square one."

—Asra Q. Nomani and Gregory N. Racz
contributed to this article.

BLACKS DID BETTER AT SOME COMPANIES

Not all companies lost a disproportionate share of their black employees in the last recession.

American Telephone & Telegraph Co. managed to retain its percentage of black workers, despite job cuts. "We monitored what was happening, and we worked awful hard," says Anne Fritz, an AT&T human resources manager. "We tried to be fair to everybody."

But most companies that lost only a small percentage of black workers, or even gained blacks, did so mainly because of a geographical fluke, such as selling businesses or trimming staff in largely white neighborhoods. Like corporations that lost a disproportionate share of blacks, these companies say they had no idea their restructuring would

have such a disparate impact on its employees.

Black employees also benefited from early-retirement programs at a few companies.

Blacks lost only five of 835 jobs in Eastman Kodak Co.'s early-retirement buyout because most of the workers who qualified for the program were white males hired in the 1950s and '60s. The departures of these employees created some vacancies that were filled by a greater share of minorities, Kodak says.

AT&T had similar early-retirement offers in the 1980s, which allowed it to maintain its level of staff diversity despite massive downsizings. But when the company began layoffs in the 1990s, it decided to look for other ways to ensure that minorities wouldn't

be hit harder than the overall staff. AT&T says it wanted to avoid any undoing of an intensive affirmative action effort dating back to 1973, following the filing of sex and race discrimination charges against it by the EEOC.

So, during the recession, AT&T began reducing its payroll by offering employees two-year unpaid leaves of absence. It also laid off workers, but offered them several ways to try to stay with the company. AT&T launched an in-house employment service to help these employees find other jobs at the company, and created a temporary work pool, enabling them to test out and pay bills without temporary assignments inside AT&T.

These efforts seem to have

worked. The company's payroll was 16.4% black in 1990. And of 18,525 employees who lost their jobs in the recession, about 16% were black.

For most companies, however, black job gains came by chance. "There isn't any specific consideration given to minority status," says Barry Lacter, a spokesman for Louisiana-Pacific Corp., where the black work force grew by 7.7% in 1991, even as the company cut its overall staff by 6.1%.

The reason for the gain? Location, location, location. The company eliminated jobs in its rural Northern California plants that had few minorities while adding workers in Southern states with large black populations.

WHERE BLACK LOSSES WERE MOST DISPROPORTIONATE

Major federal contractors whose jobs fell by at least 500 in 1990-91, ranked by job-loss index. The higher the index, the more blacks' share of job losses exceeded their share of the 1990 work force.

COMPANY	BLACKS' % OF 1990 WORK FORCE	BLACKS' % OF TOTAL DECLINE	BLACKS' JOB-LOSS INDEX	COMPANY COMMENTS
BankAmerica	7.90%	28.11%	3.56	Normal attrition; expanded in Arizona and New Mexico, which have small black populations.
Sears*	15.85	54.32	3.43	Closed distribution centers in inner cities. Trimmed clerical and support staff in stores. Says its numbers are faulty; EEOC hasn't yet decided whether to accept its revised submission.
Pet	13.71	34.53	2.52	Shut down two Philadelphia plants with high concentrations of blacks and consolidated production at another Philadelphia plant with one in New Jersey.
W. R. Grace	13.09	32.16	2.46	Had major restructuring. Demographic changes were affected by the racial mix of companies sold, including a fast-food business.
Coca-Cola Enterprises	17.89	42.06	2.35	When sales decreased, the bottling company reduced blue collar work force, which had high percentage of blacks.
ITT	11.81	27.40	2.32	Stopped managing Sheraton hotels in Dallas, St. Louis and West Palm Beach, Fla., where work force was more than a third black.
American Cyanamid	11.17	25.19	2.26	Sold two facilities in the South, both of which had work forces that were more than 50% black.
Safeway	8.62	15.66	1.82	Phased out part-time workers and added full-time workers surprised by demographic change but probably due to opening more stores in suburban areas.
Campbell Soup	16.40	29.62	1.81	Sold plant in Sumter, S.C., where work force was 50% black. Of the 671 blacks who lost jobs, 600 worked in Sumter. Most now work for the new owners, Goldkist, Inc.
J. P. Morgan	16.59	27.66	1.67	Moved clerical, data processing staff from New York City to Delaware.
Dial	26.29	43.56	1.66	Cut aircraft service workers and food service workers because of Eastern Airlines bankruptcy and closings of restaurants and auto plants. Both work forces had high percentage of blacks.
Deere	4.23	6.90	1.63	Lost blue collar workers, laid off by unions' seniority rules.
Digital Equipment	6.84	11.04	1.61	Eighty-one percent of downsizing occurred in manufacturing and field organizations, where 91% of black workers were concentrated.
Schering-Plough	17.80	28.55	1.60	Divestiture of Maybelline Cosmetics accounted for 70% of the black loss.
Fluor	11.67	18.64	1.60	Projects ended in Southeast, where labor force has high percentage of blacks.
General Electric	7.86	12.55	1.60	Stopped production at Columbia, Md., plant which was 39% black, and Cicero, Ill., plant, which was 80% black.
McDonald's	23.19	36.52	1.57	Sold more than 200 corporate-owned stores to franchisees. Of these, 53 were sold to black franchisees.
USX	12.55	19.72	1.57	Closing of plant near Philadelphia; layoffs according to union rules.
TRW	8.94	13.88	1.55	As part of restructuring, sold businesses in Northeast and Midwest, while expanding businesses in Mesa, Ariz., and Los Angeles, where there are smaller black populations.
Emerson Electric	6.88	10.51	1.53	Acquired subsidiaries with low concentrations of blacks. The core company actually increased its percentage of blacks in work force.

*Based on company's original report to EEOC.

HOW THE DATA WERE ANALYZED

To examine how black workers fared in the recession, The Wall Street Journal analyzed employment changes at 35,242 companies that filed reports with the Equal Employment Opportunity Commission in 1990 and 1991. More than 40 million employees, or about a third of the labor force, work for these concerns. The Journal also analyzed changes in black employment at each of about 400 of the nation's largest federal contractors in terms of market capitalization.

The reports provide a comparison of employment at the nation's larger businesses before and after the latest economic downturn, which officially began in July 1990 and ended in March 1991. (In 1990, the companies had to report personnel information for one payroll period between January and March, but because of a regulation change, they didn't have to file their 1991 reports

until the third quarter, after the recession ended.)

Businesses with 100 or more employees must tell the EEOC yearly the number of women and minorities they employ, with breakdowns for specific job categories. Companies with 50 or more employees and a U.S. government contract of at least \$50,000 must file reports too.

The Journal obtained computer tapes of all 1990 and 1991 EEOC reports, but with the company names deleted. To compare individual companies, the Journal used the Freedom of Information Act to obtain summary employment filings for the largest federal contractors from the Labor Department's Office of Federal Contract Compliance Program.

To analyze blacks' treatment at federal contractors where total employment fell by 500 or more between 1990 and 1991, the Journal calculated what percentage of each company's work force

was black in 1990 and then determined what percentage of the employment decline between 1990 and 1991 represented black workers. The black job-loss index was computed by dividing the first calculation into the second. If a company had a staff that was 16% black in 1990 but blacks accounted for 24% of its decline in employment, the company's black job-loss index would be 1.50.

Thus, the larger the black job-loss index, the more disproportionate the staff reduction was for blacks. A number of less than one indicates the jobs of blacks were eliminated at a lower rate than their 1990 representation at the company.

The reports submitted by the federal contractors aren't adjusted for corporate actions such as the sale or acquisition of a business. Thus, the year-to-year comparisons show the changing racial makeup of a company's work force, not necessarily actual layoffs.

U.S. BUSINESS SEPTEMBER 14, 1993

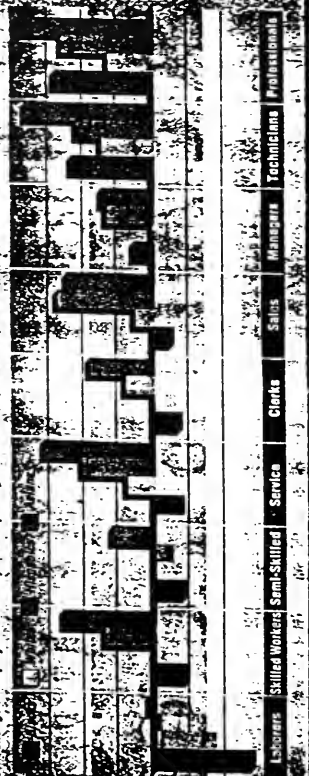
UNEQUAL OPPORTUNITY: LOSING GROUND ON THE EMPLOYMENT FRONT

Recession, Only Blacks Had a Net Job Loss

HOW MAJOR RACIAL AND ETHNIC GROUPS FARED

GAINS AND LOSSES BY KIND OF WORK

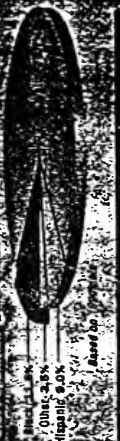
Percent change in employment at companies reporting to the EEOC, by race and job category, 1990-1991



Blacks at EEOC Firms



U.S. Population



WHAT HAPPENED AT BIG U.S. COMPANIES WITH LARGE JOB CUTS

As 60 federal contractors whose employment fell by at least 500 jobs between 1990 and 1991, the index, calculated by dividing black persons' share of the 1990 work force by their share of job losses, varied from their share of the 1990 work force.

Mr. PETERSON. Toby, how long do you need? Five minutes enough?

Mr. MALICHI. Yes, sir.

Mr. PETERSON. All right. Here goes the clock. We appreciate you being with us.

STATEMENT OF TOBY MALICHI, PRESIDENT AND MANAGING DIRECTOR, MALICHI DIVERSIFIED, LTD., INDIANAPOLIS, IN

Mr. MALICHI. Thank you, sir.

Mr. Chairman, members of the committee, I want to thank you for allowing me the opportunity to submit testimony to the House Government Operations Committee, Subcommittee on Employment, Housing, and Aviation. My name is Toby Malichi, I am the president and managing director of Malichi Diversified, Ltd.

We are international brokers and agents located in Indianapolis, IN. I also serve on the board of directors of the U.S. Chamber of Commerce and the Chamber's International Policy Committee and Council on Small Business.

First, I must commend the committee for taking an indepth look into the issue of the North American Free Trade Agreement and its impact on blue collar, minority, and female employment. Mr. Chairman, I feel like David in the land of the giants. Nonetheless, I will proceed.

I am a small business owner and a small business advocate, but, Mr. Chairman, I also am a single parent of two. My daughter is 10, my son is 14, and I am also a product of a broken home. I know firsthand the trials and tribulations of dealing with running a business, raising a family, and overcoming enormous environmental obstacles.

We cannot blame NAFTA for the problems that already exist. NAFTA is a critical response to the increasingly competitive global economy. NAFTA will allow us to effectively compete with the Pacific Rim trading bloc and the European Community. NAFTA would lower trade barriers for exportation of our products and services into Mexico.

We have already entered into an agreement for this purpose with Canada. Our automobiles and our computers will be cheaper for Mexicans to buy. This helps our economy by creating jobs in these and other sectors of the economy.

Right now companies can flock to Mexico or elsewhere to take advantage of that country's lower labor costs, if they so desire. Companies have not done so because they know that labor costs are but one of many factors that determine where production takes place.

It has been said many times, Mr. Chairman, before, but if labor costs were the main reason companies chose a place to invest, Haiti and Bangladesh would be the economic power houses. Labor costs are just a small part of the entire cost of producing a product.

Other factors like transportation costs, not to mention stable political climates, and positive economic policies actually make it cheaper in many cases for a company to produce a product in the United States. Our economy, while still strong in manufacturing, has shifted more toward a service-oriented activities.

The jobs in the 1990's and beyond will be created in high technology and high-skill areas. When our country moved from an agrarian economy to a manufacturing one at the turn of the century, we had to adjust to the changing market.

Now, we have to adjust again. Low wage, low-skill jobs have already left the country, Mr. Chairman. We have to expand our horizons and our long-term thinking to create new opportunities for our youth and our unemployed. We can do this through strengthening our educational system, increasing literacy, and strengthening the family.

NAFTA is a trade and economic issue, not a political one. The economy is ever expanding and ever changing. Unskilled jobs have been leaving the United States for sometime without NAFTA. Many have gone to Asia as well as to Latin America and elsewhere.

American workers historically have been competitive, but we have been losing our confidence. We shouldn't fear competition. After all, Mr. Chairman, it is all about attitude. NAFTA will allow American companies to compete more effectively because it lowers trade barriers. NAFTA will help keep American businesses here as performance requirements on United States investors are abolished and Mexican trade tariffs are reduced.

General Motors, and, Mr. Chairman, I am a former General Motors executive, recently relocated a manufacturing plant from Mexico to the United States; 1,000 jobs were brought back. Forty-eight States have expanded trade with Mexico since 1985, 1987, including my own State, Indiana. United States exports to Mexico have increased from \$12.4 billion in 1986 to \$40.6 billion in 1992. Over 400,000 jobs have been created as a result of this increased trade with Mexico.

Mexico is the second largest market after Canada for our manufactured products. There are also many small and medium-sized businesses which are involved with international trade. Many of these firms, like my own, are minority owned, and these companies create employment opportunities.

My company, Mr. Chairman, Malichi Diversified, Ltd., as intermediaries help American companies find and locate trade opportunities that will increase their sales and profits, thus creating more jobs. Whether or not we are members of a minority group, all of us have to be prepared to deal with the changing world we live in. If you do not have a college degree, you will be left behind in the new economy. If you have the education and the training, you are better equipped to deal with the new economy. If you don't have these tools, you are competing in the market around the globe with workers who will work for—for the lower wage than our prevailing minimum wage.

We have to think long term. Simply protectionism, as appealing as it may sound, is no solution. We must face the future and prepare for it, not hold on to the past. NAFTA is not a panacea for our economic problems, it was never intended to be, but defeating NAFTA won't help, either. All that will do is confirm our reluctance to face the challenges we need to face and cost us some significant business and employment opportunities in the process.

Mr. Chairman, on one side we have pro-NAFTA, on the other side we have Mr. Ross Perot and his following. We took them out

into the woods for a retreat, Mr. Chairman. I left them out there. I said, OK, gentlemen, chop some wood. The pro-NAFTA person started chopping wood, chopping wood, chopping wood. Ross Perot started chopping wood, chopping wood, and chopping wood. Ross Perot never looked up, he never looked around, he just chop, chop, chop, chop. He kept his head down and chop, chop, chop, this is the way we have always done it.

While the person from pro-NAFTA would chop wood, chop wood and chop wood, but every hour on the hour, he would stop and take a 15-minute break. This went on about 3 or 4 hours, Mr. Chairman, but yet the piles of wood remained the same, but every hour on the hour the pro-NAFTA person would stop, take a 15-minute break, while Ross Perot would chop wood, chop wood, chop wood, never look around, never stop, just chop, chop, chop while the person from pro-NAFTA would stop every hour on the hour, take a 15-minute break, but yet, Mr. Chairman, the piles of wood remained the same.

After about 10 hours I came back out, I said, OK, gentlemen, let's get the retreat on. Ross Perot angrily shouted out, wait a minute, hold it, pal, I have been chopping wood here 5, 6, 7, 10 hours, I chopped wood consistently, constantly, I never looked up, I chop, chop, chop, while the person from pro-NAFTA, every hour on the hour would stop and take a 15-minute break. I don't understand because the piles of wood have remained the same.

The person from pro-NAFTA said, wait a minute, you hold it, Mr. Perot. For every hour on the hour you thought I was stopping to take a 15-minute break, I was actually taking time out to sharpen my axe.

I challenge this committee, Mr. Chairman, for us to take time out and sharpen our axe with NAFTA, to think smarter and not necessarily work harder.

I thank you for your time, Mr. Chairman, and have a successful day.

[The prepared statement of Mr. Malichi follows:]

TESTIMONY OF TOBY MALICH

**President and Managing Director
Malichl Diversified, Ltd.
Indianapolis, Indiana**

**BEFORE THE
HOUSE GOVERNMENT OPERATIONS COMMITTEE
SUBCOMMITTEE ON EMPLOYMENT, HOUSING AND AVIATION**

NOVEMBER 10, 1993

Mr. Chairman, members of the Committee, I want to thank you for allowing me the opportunity to submit testimony to the House Government Operations Committee, Subcommittee on Employment, Housing and Aviation.

My name is Toby Malichi. I am the president and managing director of Malichi Diversified, Ltd., an international brokerage and agents firm located in Indianapolis, Indiana.

First, I must commend the Committee for taking an in-depth look into the issue of the North American Free Trade Agreement and its impact on blue-collar, minority and female employment.

I am a small business owner and a small business advocate. But I am also a single parent and the product of a broken home. I know first-hand the trials and tribulations of dealing with running a business, raising a family, and overcoming enormous environmental obstacles.

We cannot blame NAFTA for problems that already exist. NAFTA is a critical response to the increasingly competitive global economy.

NAFTA will allow us to effectively compete with the Pacific Rim trading bloc and the European Community.

NAFTA would lower trade barriers for exportation of our products and services into Mexico. We've already entered into an agreement for this purpose with Canada.

Our automobiles and our computers will be cheaper for Mexicans to buy. This helps our economy by creating jobs in these and other sectors of the economy.

Right now companies can flock to Mexico, or elsewhere, to take advantage of that country's lower labor costs, if they so desire. Companies have not done so because they

know that labor costs are but one of many factors that determine where production takes place.

It's been said many times before, but if labor costs were the main reason companies chose a place to invest, Haiti and Bangladesh would be economic powerhouses. Labor costs are just a small part of the entire cost of producing a product. Other factors like transportation costs -- not to mention stable political climates and positive economic policies -- actually make it cheaper in many cases for a company to produce a product in the U.S.

Our economy, while still strong in manufacturing, has shifted more toward service-oriented activities. The jobs in the 1990s and beyond will be created in high-technology and high-skill areas. When our country moved from an agrarian economy to a manufacturing one at the turn of the century, we had to adjust to the changing market. Now we have to adjust again.

Low-wage, low-skilled jobs have already left the country. We have to expand our horizons and our long-term thinking to create new opportunities for our youth and our unemployed. We can do this through strengthening our educational system, increasing literacy, and strengthening the family.

NAFTA is a trade and economic issue. The economy is ever-expanding and ever-changing. Unskilled jobs have been leaving the U.S. for some time, without a NAFTA. Many have gone to Asia, as well as to Latin America and elsewhere. American workers historically have been competitive; but we've been losing our confidence. We shouldn't fear competition.

NAFTA will allow American companies to compete more effectively because it lowers trade barriers. NAFTA will help keep American businesses here, as performance requirements on U.S. investors are abolished and Mexican tariffs are reduced. General Motors recently relocated a manufacturing plant from Mexico to the U.S. One thousand

jobs were brought back.

Forty-eight states have expanded trade with Mexico since 1987. U.S. exports to Mexico have increased from \$12.4 billion in 1986 to \$40.6 billion in 1992. Over 400,000 jobs have been created as a result of this increased trade with Mexico. Mexico is the second largest market after Canada for our manufactured products.

There are also many small- and medium-sized businesses which are involved with international trade. Many of these firms like my own are minority-owned, and these companies create employment opportunities.

Whether or not we are members of a minority group, all of us have to be prepared to deal with the changing world we live in. If you do not have a college degree you will be left behind in the new economy. If you have the education and the training, you're better equipped to deal with the new economy. If you don't have these tools, you are competing in the market around the globe with workers who will work for a much lower wage than our prevailing minimum wage. But we have to think long-term. Simple protectionism, as appealing as it may sound, is no solution. We must face the future and prepare for it, not hold on to the past.

NAFTA is not a panacea for our economic problems. It was never intended to be. But defeating NAFTA won't help either. All that will do is confirm our reluctance to face the challenges we need to face, and cost us some significant business and employment opportunities in the process.

Mr. PETERSON. Thank you, we appreciate you all being so patient and we will make your statements part of the record and we will submit questions to you, and we will give you a few days to answer them, and I will look at your charts, Dr. Hinojosa.

Thank you all, very much. The subcommittee is adjourned.

[Whereupon, at 5:35 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]



APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

Ch. 93 PUBLIC OFFICERS AND EMPLOYEES

18 § 1913

§ 1912. Unauthorized fees for inspection of vessels

Whoever, being an officer, employee, or agent of the United States or any agency thereof, engaged in inspection of vessels, upon any pretense, receives any fee or reward for his services, except what is allowed to him by law, shall be fined not more than \$500 or imprisoned not more than six months, or both; and shall forfeit his office.

(June 25, 1948, c. 645, 62 Stat. 792.)

Historical and Revision Notes

Reviser's Note. Based on Title 18, U.S.C., 1940 ed., § 196 (Mar. 4, 1909, c. 321, § 107, 35 Stat. 1107).

The phrase "officer or employee of the United States or any agency thereof" was substituted for the phrase "Inspector of

steamboats" in view of 1946 Reorganization Plan No. 3, eff. July 16, 1946, 11 F.R. 7875, 60 Stat. 1097, abolishing inspectors and transferring their functions to the Coast Guard.

Minor changes were made in phraseology.

Cross References

Inspection of vessels, generally, see section 3301 et seq. of Title 46, Shipping.

West's Federal Forms

Sentence and fine, see § 7531 et seq.

Library References

Shipping Ⓒ17.

C.J.S. Shipping § 12.

§ 1913. Lobbying with appropriated moneys

No part of the money appropriated by any enactment of Congress shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device, intended or designed to influence in any manner a Member of Congress, to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress, whether before or after the introduction of any bill or resolution proposing such legislation or appropriation; but this shall not prevent officers or employees of the United States or of its departments or agencies from communicating to Members of Congress on the request of any Member or to Congress, through the proper official channels, requests for legislation or appropriations which they deem necessary for the efficient conduct of the public business.

Whoever, being an officer or employee of the United States or of any department or agency thereof, violates or attempts to violate this section, shall be fined not more than \$500 or imprisoned not more than one year, or both; and after notice and hearing by the superior officer vested with the power of removing him, shall be removed from office or employment.

(June 25, 1948, c. 645, 62 Stat. 792.)

In America

BOB HERBERT

*Nafta
And the
Elite*

The intellectual and political elite have lined up in support of the North American Free Trade Agreement, but it's the grunts, the ordinary working men and women of America, who will face the consequences in the form of wage contraction, lost jobs and reduced standards of health and safety.

It's too bad Ross Perot is the leading opponent of Nafta. Working people deserve better. When Mr. Perot starts waving his arms, tossing out misleading data and shrieking about "that giant sucking sound," his noise drowns out the serious discussion of the problems with Nafta.

American workers have been hammered for a decade and a half and they're scared. Now comes the Clinton Administration — which claims it stands for change — and it decides to go to the mat politically for a trade agreement that is the delight of Republicans in Congress and the multinational corporations.

Why wouldn't workers be wary? These are the same corporations that have made downsizing their mantra, thereby terrorizing millions of employees and their families. It's clear what the corporations want and Nafta helps them get it: an expanded market, cheaper labor and less restrictive health and safety standards.

The catastrophic scenarios offered by Mr. Perot and others are not in the cards. Nafta is a relatively modest trade agreement. But American companies and jobs are already going to

Mexico and common sense suggests that this would only increase under Nafta.

In a letter to President Clinton this week, Ralph Nader, who opposes Nafta, said, "It is known inside your circle of White House and corporate allies that companies are pursuing an informal moratorium on announced relocations of factories to Mexico until after the Nafta vote in Congress."

Mr. Nader said a similar moratorium had been observed by companies operating plants in Canada before a decisive vote on the Canada-U.S. Free Trade Agreement in 1988. For a variety of reasons it was cheaper, under that trade agreement, for the companies to operate the plants in the U.S.

Mr. Nader said approval of the agreement had been followed "by a rush of shutdowns and relocations."

Mr. Nader and others, especially labor officials, have noted that just the threat of a move to Mexico by a U.S. company can have a dampening effect on wages here. A smaller paycheck looks a lot better to an employee when it's compared with no paycheck at all.

Meanwhile, an important issue that is not getting enough attention is the danger that free-trade agreements will begin to erode some of the high health and safety standards developed over several decades in the United States.

Nafta is just a warmup for the much broader revised General Agreement on Tariffs and Trade, a global effort to reduce trade barriers. Final GATT negotiations are scheduled for completion in Geneva next month.

As the competition grows increasingly intense in the global marketplace, the traditionally higher standards of health and safety in the U.S., which add substantially to the cost of doing business, can be viewed as a handicap.

And under international agreements like Nafta and GATT, other countries can (and will) complain that certain U.S. standards amount to barriers to free trade. Mr. Nader cites, as an example, auto safety standards. A foreign country that feels U.S. standards are too tough — even though they apply to all cars sold in the U.S. — could complain that it is being unfairly kept out of the American market.

The mechanism for resolving such disputes is ominous. Under Nafta and GATT, international tribunals composed of trade officials will convene in secret to study such disputes and to issue binding rulings. If a safety standard in the U.S. were found to be an unfair trade barrier, the U.S. could either waive the standard or pay perpetual damages to the offended country for the loss of sales in the U.S.

"The new trade agreements are invading internal sovereignties, becoming involved in things that are none of their business," said Mr. Nader.

The elite may be sold on Nafta, but it deserves much closer scrutiny by everyone else. As for the Clinton Administration, it might find an easier route to free trade if it could only manage to do something real about jobs here at home. □

**It's the
grunts
who will
suffer.**

THE WALL STREET JOURNAL MONDAY, NOVEMBER 1, 1993

X Clinton Urges Firms to Keep Jobs in U.S.

Companies Balk at Request Not to Move to Mexico If Nafta Wins Approval

By ASRA Q. NOMANI

Staff Reporter of The Wall Street Journal
WASHINGTON — The Clinton administration is urging U.S. companies to pledge not to move jobs to Mexico if the North American Free Trade Agreement passes, but corporate America is balking at the request.

Administration officials said they are seeking such commitments to dispel widespread worries that trade liberalization in Mexico will open the floodgates for U.S. companies attracted to the low wages there. Although officials privately express doubts about the success of this effort, such corporate assurances would be particularly timely as the highly charged Nafta debate winds down before the House's expected vote on the pact Nov. 17.

William Daley, who is coordinating the White House campaign as Nafta "czar," said administration officials have raised the issue with a number of corporations and trade groups in meetings, briefings and phone calls. Those contacts began a couple of months ago, officials said, and the administration has revisited some of these companies recently. "There has been some interest, but no commitments," Mr. Daley said in an interview.

U.S. officials are secretive about which companies they have had the discussions with, but acknowledge the question has been broached with the Big Three auto makers, Chrysler Corp., General Motors Corp. and Ford Motor Co., which Nafta opponents have targeted as prime candidates to relocate manufacturing jobs to Mexico. While making certain assurances that Nafta won't cost jobs, none of them have gone as far as administration officials would like.

"Companies have different reasons as to why they wouldn't consider" such pledges, said Mr. Daley. "Primarily, it's that businesses don't like to make blanket comments in a political realm. Companies that don't have any interest in moving anywhere still don't want to get in the middle of political debates."

The administration is suggesting U.S. companies issue commitments that they would relocate operations in Mexico back to the U.S., or that they would boost U.S. operations in response to increased exports to Mexico. They've secured some statements. Some companies, such as Ace Hardware Corp., Springs Industries Inc. and Tyco Laboratories Inc., have said Nafta will prompt the creation of more jobs at their companies. Chrysler and Quaker Oats Co. have said Nafta wouldn't cost jobs at their U.S. operations. But the assurances aren't as plentiful and ironclad as many U.S. officials would prefer.

At the request of certain lawmakers, U.S. companies have even been asked if they would sign a version of the Sullivan Principles, guidelines laid out years ago for U.S. companies doing business in South Africa. The guidelines, devised in response to boycotts against companies that did business in South Africa, required nondiscriminatory business practices. But companies have balked at signing a new agreement, saying that the Sullivan Principles started as voluntary agreements and became mandatory, and they fear the same would happen with any Nafta-related guidelines.

Harry Freeman, a former American Express Co. executive and pro-Nafta trade consultant working with U.S. corporations' lobbying effort, said the idea of making pledges has fallen flat at Nafta strategy sessions he's participated in, because "it's foolish" from a corporate perspective.

"It's full of hazards to make a politically motivated announcement on a business matter which hasn't yet been decided," he said. "It gets you in trouble with your employees and your shareholders. You're asking for trouble."

Jim Jontz, who heads the anti-Nafta lobbying group Citizens Trade Campaign, said, "I don't think the public would believe it even if the companies did swear up and down that they wouldn't leave the U.S." Mr. Jontz, a former Indiana congressman, added, "The fact that they aren't willing to even publicly say that they aren't going to move plants to Mexico is even more fuel on the fire."

Overall, corporate America hasn't gotten rave reviews for its part in pushing for congressional support for Nafta, which has to be cleared by both the House and the Senate. The House vote is considered a tossup, and many lawmakers are pulled by labor's argument that Nafta will be a job-loser.

In a speech Friday at the John F. Kennedy Library in Boston, Mr. Clinton repeated a refrain for companies to support a broad program to retrain workers who lose their jobs as a result of Nafta. He argued that companies "had no right to ask the American people — any of them, even one of them — to sacrifice unless we are going to make a common investment."

In a satellite "town meeting" today set up by the U.S. Chamber of Commerce, Mr. Clinton is readying to argue that opening the Mexican market is a crucial part of improving U.S. competitiveness in the global marketplace. His key point: that Japan and Europe will capture the Mexican market if the U.S. doesn't.

Expanding Trade and Creating American Jobs
 Remarks by Governor Bill Clinton
 North Carolina State University
 Raleigh, NC October 4, 1992

Thank you. Thank you very much. Thank you. Thank you verymuch. Thank you.

You've brightened up a cloudy day. I want to say how delighted I am to be here with my good friend, Jim Hunt.

When I was elected Governor and took office in 1979, he was the leader of the Democratic Governors, and he befriended me and helped to educate me, and I can honestly say, in the years that have elapsed, I have served with about 150 governors of the United States, having now served longer than any other governor, and Jim Hunt is one of the very finest with whom I ever served in any state in America.

He was our leader in education. He was our leader in economic development. He made me think of North Carolina as a state of the future, a state with a partnership between business, and government, and education; a state committed to competing in a global economy; a state committed to educating its people.

The legacy of Terry Sanford and Jim Hunt inspired a whole generation of young people from all across the south, including me, and for that I will always be very, very grateful.

I'd also like to say, I'm glad to be back here at North Carolina State, especially in this comfortable auditorium.

A few years ago I came here to the Democratic Convention and we had it in the place where the Wolf Pack plays basketball. It was 90 degrees outside this is literally true. It was 100 degrees inside, and then we all got up to speak on a podium that had bright lights like this, but brighter and closer, so it was about 120 on the podium. Today, it is raining on us; that day I rained on the people in the crowd.

Ladies and gentlemen, I came here to North Carolina today to talk about a difficult and important issue for our country. I wanted to come here because I think of North Carolina as a mixture of the best in America's economy, its traditional industries, and farms, and its modern hi-tech future.

When I announced my candidacy for President a year and a day ago, I did it not just to challenge Mr. Bush, but to challenge the American people, and here I come today to talk about one of our greatest challenges—how we can compete and win in the global economy.

Because I have been a governor during the entire decade of the 1980s, because I have served in the 1970s, the 1980s, and the 1990s, I have literally been required to be obsessed with the competitive realities of my state and this nation, with what we do well and what we do poorly, with what policies work, and what policies don't. But always at the core of all my concerns are the American people, the kind of people I've seen on these bus trips that Hillary and I, and Al and Tipper Gore, have taken. We're taking another one in Florida tomorrow. People who come out with hope in their heart and pain in their eyes; people who have worked hard and played by the rules. Some of them are winning, but too many of them are losing.

The whole purpose of what one person once called the dismal science economics, is to enable us to make good decisions that will reward people who work hard and develop their God-given capacities.

I came here today to tell you why I support the North American Free Trade Agreement.

If it is done right, it will create jobs in the United States and in Mexico, and if it is done right and it is part of a larger economic strategy, we can raise our incomes and reverse the awful trend of now more than a decade in which most Americans are working harder for less money.

If it is not done right, however, the blessings of the agreement are far less clear, and the burdens can be significant. I'm convinced that I will do it right. I am equally convinced that Mr. Bush won't.

We live in a world that has been revolutionized almost beyond comprehension. We have seen in the last few years the Soviet Union disintegrate, the Berlin Wall, freedom fighters released from their prisons in Eastern Europe and South Africa, the Cold War end. That was the era in which I was born and in which Mr. Bush came of age, and over the last generation, less obviously but no less dramatically, we have seen unbelievable changes transforming the global economy, which have had their impact here at home.

A little more than a generation ago, international trade and investment were a seemingly insignificant portion of our nation's income, but today our exports and imports of goods and services amount to about a quarter of our entire economy.

A little more than a generation ago, American workers, consumers, and companies lived almost entirely within the American economy. Today, we live within the world economy, and foreign trade accounts for almost as high a proportion of our economic activity as it does in Japan and Western Europe.

A little more than a generation ago, we were virtually unchallenged in the world market place, but today we are challenged as ever before not only by Japan and Western Europe, but by other countries as well.

A little more than a generation ago, the world was a far simpler place. We could support free trade and open markets and still maintain a high wage economy because we were the only economic super-power, and our capacity to control our destiny was largely totally within our own hands.

Now, because money, and management, and production are mobile and can cross national borders quickly, we face unprecedented competition from developing countries, as well as wealthy ones.

You know that in North Carolina and so do I. A textile worker in Carolina has to compete against a textile worker in Singapore perhaps to sell sweaters in Germany.

It's also hard to tell who the players are. An American car may have more foreign parts in it than a foreign car that happens to be made in an American assembly plant.

This, in other words, is not a simple debate. The world is changing in complex ways. The choices before us are difficult, and it is imperative that at least we understand what is going on, and that we have an honest and forthright discussion of all the forces that play.

For a high wage country like ours, the blessings of more trade can be offset at least in part by the loss of income and jobs as more and more multi-national corporations take advantage of their ability to move money, management, and production away from a high wage country to a low wage country.

We can also lose incomes because those companies who stay at home can use the threat of moving to depress wages, as many do today. Other countries like Germany and Japan have, quite frankly,

managed this problem much better than we have. How have they done it?

First of all, by maintaining a more highly-skilled work force not just among their university graduates, but up and down the line among all their workers.

Secondly, by investing more in modern plant and equipment, and in research and development, and developing better systems of moving ideas from the laboratory to the market place, so that if they lose one kind of manufacturer job, there are always other kinds opening up. In contrast to what you often have here, where when people lose their manufacturing job, they look around until their unemployment runs out, and then eventually take a job making half what they used to make.

Thirdly, these countries do a better job of controlling their external costs like health care and energy. The average German factory produces the same amount of output as the average American one for one-half the energy input, and our country spends 30 percent more of our income on health care than any other nation with which we compete.

Next, other countries do a better job of exporting more and of continuously increasing productivity by working together more closely, business and labor, government and education. But also let's be frank—Germany and Japan have policies that are tougher in keeping high wage jobs at home, at least for the home market. The Europeans have an absolute ban on foreign car sales that exceed 16 percent of the market now in Western Europe. The Japanese distribution system means that only 3 percent of the cars sold in Japan are not Japanese. We have an auto parts export surplus of \$4 billion with every country in the world, but when you add Japan in, we have a \$9 billion deficit.

For some time now—as you see, this is a very complicated thing, and for some time I have felt that one of the most difficult problems in modern politics and in, therefore, in this presidential election, is the simplistic and superficial labeling of complex issues.

As network news sound bites have shrunk by one study— they're down to less than 9 seconds now—public discussions of important issues have gotten the short shrift. On, perhaps, no other issue has the decline of discourse been more pronounced than on the issue of trade, an issue of great impact to you here in North Carolina in positive in negative and ways on farmers and textile workers, on furniture makers, on engineers, and scientists in the research triangle.

Too much is at stake here to avoid the real issues, and, yet, time and again, that is what we do.

The issue here is not whether we should support free trade or open markets. Of course, we should. The real issue is whether or not we will have a national economic strategy to make sure we reap the benefits, and the answer today is, we don't.

Too many Republicans would say that it's a simple issue—free trade always equals economic growth. Well, it can, but only if we have a comprehensive national strategy to promote that kind of growth.

Some Democrats would say that free trade today always equals exporting jobs and lowering wages. Well, it sure can if you don't have a comprehensive economic strategy to maintain a high wage, high growth economy.

It is in that context that we have to look at this North American Free Trade Agreement. Is it good for Americans? Will it help us to develop a high wage, high growth economy here at home? Or, by opening Mexico to more U.S. and foreign investment, will it simply encourage more United States companies to abandon their workers and communities here and move to Mexico? Will it depress wages of those who are left here, and will they even have ironically less money to buy the products

that Mexico will send back to this country?

Well, if you look at the experience of the mequiladora plants, those who have moved to Mexico right across the border, there is certainly cause for concern. We can see clearly there that labor standards have been regularly violated; that environmental standards are often ignored, and that many people who have those jobs live in conditions which are still pretty dismal not just by our standards, but theirs.

So there is some reason to fear that there are people in this world and in our country who would take advantage of any provisions insuring more investment opportunities simply to look for lower wages without regard to the human impact of their decisions.

Still, you must look at the other side of the coin. Changes in Mexico under President Salinas have ballooned our two-way trade with them and have eliminated the trade deficit we once had with Mexico. Thus, creating jobs here in America even as our investment policies have cost them.

I can also say based on my own experience, that a good economic policy can grow manufacturing jobs even in tough global competition.

In our state, thanks to highly productive workers and creative business leaders, good cooperation between the government and the private sector, good incentives and aggressive support for educating workers, promoting quality management and marketing more products, we have grown manufacturing jobs at 10 times the national average for several years now. You heard Governor Hunt say that we now rank first in the country in private sector job growth. There are many and complex reasons for this, but we did have a definite strategy that involved partnerships with a deliberate decision not to give up our manufacturing base. That is very important.

In the United States of America today, only about 16.5 percent of the work force is in manufacturing. In my state, it's 22 percent. In this state, I think it's still about 28 percent, the largest in the United States.

I want to make it very clear—I am committed to maintaining a strong manufacturing base in this country.

My grand daddy used to say that during the Depression, people were so poor, they took in one another's washing for a living.

That would be the equivalent of an economy that was only a service economy where nobody in America ever made anything.

The great economic powers in this world are the people who make things. We have 16.5 percent of our work force in manufacturing, Japan has 28 percent, Germany has 32 percent. We must do better and we can.

I believe NAFTA can contribute to this effort, not undermine it, as long as we move aggressively to address the serious omissions from the agreement.

I believe we have to do more for our own workers, to protect the environment on both sides of the border, both because it's good for the environment and because if they don't do it, it will further lower their cost of production, to promote prosperity on both sides of the border.

If we do these things and, again, if we develop a serious economic policy at home, then NAFTA can

be a very good thing for the United States.

We simply cannot go backwards when the rest of the world is going forward into a more integrated economy. We cannot go inward when our opportunities are so often outward. For all our history, America has moved ahead and reached out, colonizing a wilderness, exploring a continent, always seeking what President Kennedy called the New Frontier.

And today we must forge ahead again. As president, I will seek to address the deficiencies of the North American Free Trade Agreement through supplemental agreements with the Canadians and the Mexican government and by taking several key steps here at home. I will not sign legislation implementing the North American Free Trade Agreement until we have reached additional agreements to protect America's vital interests. But I believe we can address these issues without renegotiating the basic agreement.

This agreement, however, is only one piece of a larger puzzle. Even the present negotiations recognize that, as there are other issues being discussed all along. We need not only to reduce trade barriers, but to prepare our entire work force not only to compete in the global economy, but to live with the changes in it and to make sure nobody gets left behind.

I remain convinced that the North American Free Trade Agreement will generate jobs and growth on both sides of the border if and only if it's part of a broad-based strategy, and if and only if we address the issues still to be addressed.

If we don't do those things, we can kill NAFTA, but we'll still lose jobs. And that's the important point I want to make. I have been governor of a state that has seen jobs go on a fast track to Mexico and to other countries. If we do nothing on this agreement and we don't address the serious worker retraining and economic investment issues in this country and we don't change our economic policy, we will still lose jobs because money, production, management are mobile, and there are people, unfortunately, in this world who would rather move for cheap wages than stay and work for productivity.

We have got to face the bigger issue. We cannot overload NAFTA and make it the symbol of either all our hopes, as Mr. Bush has done, or all our fears, as some of the opponents have done. We have got to see this as a part of a real big effort to rebuild the American economy from the ground up.

This is not an abstract question. It has real consequences for real people.

For more than a decade, our country has been led by yesterday's men, who were out of touch, out of ideas and out of step with the developments in the global economy, who refused to recognize not only new opportunities, but new challenges and new responsibilities.

Americans have paid a terrible price for their policies. Trickle-down economics have given us a weakened economy, declining wages for more than two-thirds of our workers, longer work weeks, lost jobs, greater inequality, greater poverty, one in 10 Americans on food stamps today, a hundred thousand Americans a month losing their health insurance, and the real sense that we may be raising the first generation of Americans to do worse than their parents.

Without a national economic strategy, this country has been allowed to drift. Meanwhile, our competitors have organized themselves around clear national goals to save, promote and enhance high wage, high growth jobs.

In a Clinton administration, we will approach trade and every other issue with a single-minded focus,

to do what is best for ordinary Americans who are willing to work hard to get ahead.

But that focus must also recognize the new rules of the global economy. When Japan discovers a way just to make cars a little better, or when the European Community closes its markets to American pork, or when our president refuses to issue export credits and European farmers take away a Russian market that was meant to be for us, or when a country in South Asia or South America violates copyright standards for software, the impact is felt in factories and farms and families all across America.

But when people line up in Paris to watch an American movie, when families around the world eat American food, when a jet made in Seattle lands or takes off from an airport in Seoul, American jobs and paychecks are more secure.

Our prospects and our prosperity depend upon our ability to win in this kind of environment, an environment in which what we earn depends on what we can learn, in which Americans who only finish high school and have no further education and training face far grimmer futures than their parents, an America in which if we do not equal our competitors in research and development and our skill in bringing ideas into manufacturing jobs here at home, unless we have a conversion plan to take all the money by which we reduce defense and invest it in an American economy for the 21st century -- in transportation, communication and environmental cleanup technologies, in biotechnology, in the new frontiers that will provide tens of thousands, indeed, hundreds of thousands of high wage jobs if we seize the opportunities, unless we do that, whatever we do on this trade agreement will not guarantee or undermine the future we are otherwise going to have.

We've got to understand what the big rules are and start following them. Our competitors know it. The Germans and the Japanese do more with education, from public school to apprenticeships to training in the work force, than we do. The average German factory spends five times as much money retraining its workers as the average American employer on an annual basis.

They do more on research and development than we do. They spend a higher percentage of their income.

But when our companies do have well-trained workers and competitive products and services and high levels of cooperation and productivity, they do very well indeed. We still have some of the finest companies in the world, that dominate their marketplaces in spite of the fact that they live in a country which doesn't encourage investment in new plants over investment in new Maseratis or third or fourth homes. They do well in spite of the fact that they live in a country which won't control health care costs and in spite of the fact that they live in a country which doesn't guarantee that workers will always have the opportunity to have high, high, high levels of education and training.

But no matter what we do in preparing our workers and investing money, we've still got to have markets for our products. As much as we export, the Germans export a far higher percentage per capita than we do. We need more markets. And today, regional economic blocs are emerging, very formally in Western Europe and less formally, but still surely in Asia, organized by Japan and Japanese investment.

It is too early to say whether the integration of Western Europe will be a plus or a minus for America. If they keep opening trade, well, that's good.

We now have a \$17 billion surplus with Europe. But they also limit car imports to 16 percent, and they recently restricted imports of American agricultural products on the flimsiest of excuses.

So while we don't know what will happen with these other regional trading blocs, we know enough to know that we need stronger ties to our neighbors both for positive opportunities and to protect us in the event that other countries become more protectionist.

We can only do that with Canada, which is already at roughly our standard of living, and with Mexico, which is way below our standard of living, if we find a way to grow our economies together in ways that are good for both of us.

So I advocate this treaty as a beginning of that process. I hope that one day we'll have a global agreement for the General Agreement on Tariffs and Trades which will be fairer to our country and which will open markets around the world. But in the meantime, we need to do more in our own region.

If we can make this agreement work with Canada and Mexico, then we can reach down into the other market-oriented economies of Central and South America to expand even further. But these three economies together will give us, in terms of population, the largest trading market in the world today.

It will provide more jobs through exports. It will challenge us to become more competitive. It will certainly help Mexico to develop, but still, that is also in our interest: A wealthier Mexico will buy more American products; as incomes rise there, that will reduce pressure for immigration across the border into the United States, which depresses wages here.

President Salinas has taken some important steps. He's privatized corporations, he's reduced his debt, he's tamed inflation and he's brought down trade barriers. As I said, the unilateral initiative of the Mexicans has led to a huge increase in the products we sell there and the evaporation of the trade deficit. They also encouraged us to enter these negotiations.

Now, what we have to do, I will say again, is to have a new kind of leadership to make this work. We have to have an overall trade policy that says to our trading partners, particularly our wealthy ones, if you want access to our market, you've got to give us access to yours.

When the president went to Japan, it was sort of sad. He took the auto company executives and pleaded with the Japanese to buy cars. But his United States trade representative had given him a report that said that if Japanese markets were as open as American markets, they would buy \$10 billion more products from us every year, everything from agriculture to auto parts to electronics, in ways that would create 300,000 high wage jobs in America.

So we had to say trading blocs are not enough. We need fair treatment in other countries if we are giving them fair treatment in ours.

But let me back to this agreement. Although it is unpopular with some people and organizations I admire and who represent the very Americans I am fighting so hard for in this election, I think we should go forward with it because it advances our interests, the interests of ordinary Americans, more than it undermines them if we also do the other things needed to deal with the deficiencies in this agreement and if we have a good new economic policy.

The agreement reduces and eventually eliminates trade barriers in place, especially in Mexico, against a number of major American exports. It opens up larger markets for our goods and services. It will phase out virtually all tariffs between the U.S. and Mexico over the next 15 years, with some of the most sensitive products being given the longest transitions.

Yet, as I said, there are critical issues which remain unaddressed, from workers' rights to farmers'

needs to environmental protection. Despite the promises he made to really address these in a forthright way, Mr. Bush has failed, most important, to provide adequate assistance to our workers, those most likely to be hurt by economic integration with Mexico.

American farmers could also suffer without stronger safeguards for their interests. And the environmental provisions are still too weak. This agreement does nothing to reaffirm our right to insist that the Mexicans follow their own labor standards, now frequently violated--this is a very important issue--and not aggravating the wage differentials which already exist.

As we move toward free trade, we must always remember why we're doing it--to help the working men and women of America. We should not do things that are not in the interest of our people over the long run.

There are apparel workers, fruit and vegetable farmers, electronic workers, auto workers who are at risk not only of short-term dislocation, but of permanent damage if this agreement is not strengthened and improved. Industries that have already been hard hit by the flow of jobs to Mexico will continue to be hurt unless we negotiate tougher measures to protect them and to make ourselves more competitive.

The shortcomings in the agreement are really a reflection, however, of the shortcomings in the Bush economic policy as a whole, not just in his approach to trade with Mexico or to world trade, but in the whole approach to the economy and the environment.

This agreement underscores the core of the differences between me and Mr. Bush. From the national economic recession to the dislocations caused by defense cutbacks, his attitude has been that we should have trickle-down economics and let the market have its way, keep taxes lowest on the wealthiest Americans, then get out of the way. He seems to be saying, so what if some workers get hurt or some farmers get hurt or some environmental damage is done? So what? Sooner or later, it'll all come out in the wash. Well, a lot of Americans are being washed away by that economic philosophy.

I want America to go forward with expanded trade with our neighbors. I also want an America that has a national economic strategy that makes sense.

And I believe there are some things we need to do to make this agreement stronger, but I think they can be addressed without renegotiating the basic free trade agreement.

As president, I will ensure adequate measures are taken however before Congress acts to implement the free trade agreement. I don't want to give up all our leverage to help our workers and to make sure our environment is protected by basically ratifying the agreement through legislation. I think that we don't have to reopen the agreement, but we do have to insist that protection for our workers, for the environment proceed on parallel tracks. We should do it all at once.

President Bush has many tools at his disposal to protect our interests in addition to the things that ought to be done to the agreement. But he has failed to use them. As president, I will aggressively pursue the remedies available in our current trade laws and in the proposed agreement to protect our jobs, our businesses, our farmers and our environment from unfair practices. In addition, I think there are five unilateral steps we should take, and there are three supplemental agreements we should negotiate with Canada and Mexico to achieve an acceptable package. Here they are: First, what we have to do; We've got to address the long neglected needs of our working people, both skilled and unskilled who are on the front lines of new economic conditions and who may be displaced. The most glaring omission in the president's package is its' lack of meaningful assistance to vulnerable

workers and community.

For those who need training, we must provide it. Mr. Bush's record on these issues is not a good one. In the last three budgets, he has proposed totally eliminating the training assistance that goes to people who's jobs are displaced by foreign competition.

In his 1993 budget, he cut employment and training programs by \$40 million. In a cynical election year ploy, his labor department proposed some more money for job training and other trade assistance to Michigan workers who've lost their jobs. It amounted to about \$4.60 a worker.

In our administration, the Clinton/Gore administration we won't play politics with the lives of working men and women.

We will give you real programs to deal with the real problems. Trade adjustment assistance that includes training, health care benefits and income supports, and assistance to communities to create jobs. You can train people all you want, but if they don't have anything to do, it will be like being all dressed up with no place to go.

While Mr. Bush has, in the 11th hour made a proposal more generous than anything he has said before, it is still way too little too late. I will do more, it will be better. The American working people will be proud of it. It will ensure dignity and the opportunity to continue to be a productive member of the American work force.

The second thing we have to do is move to protect our environment.

The Bush administration on this score is so bad that Mr. Bush's own cabinet secretary sent a memo to all of his employees saying what a bad job the president had done at the earth summit. And he's even stopped calling himself the environmental president.

It's not surprising that they did little to deal with this issue in the negotiations. Before we implement this, we have to be sure first, that there will be environmental clean up and infrastructure investments in our country sufficient to do what we have to do.

The third thing we have to do is to make sure we do something for the farmers who are at risk here. I am convinced having read this agreement with some care that some of the farmers will do better under it than they fear that they will and that the losses in some sectors have been somewhat exaggerated. However, there will certainly be some dislocation.

Assistance should be provided to farmers who are threatened. We can assist them first by strict application of American pesticide requirements to imported food.

We should help some growers ship to alternative crops, and those who may lose out to competition should be just as eligible for transition assistance as workers in businesses and communities are.

Fourth, we ought to make sure that NAFTA, the trade agreement, doesn't override the Democratic process.

For example, in the provisions on the environment, the current agreement contains no mechanism for public participation in defending challenges to American laws if we apply our environmental laws against Mexican products, or in bringing challenges to the practices of other parties.

I think the new Congress should pass legislation to provide for public participation in crafting our

position and ongoing disputes, and to give citizens the right to challenge objectionable environmental practices by the Mexicans or the Canadians.

Fifth, I think we have to make sure this agreement's provisions allowing foreign workers to cross our borders are properly implemented. We have to assure that certain professional workers aren't brought in here as strike breakers. The recent experience where Canadian workers were brought into the country to break our nurses' strike by American nurses is an example of this. That should never be repeated.

As president, I have said repeatedly I would support a law to outlaw the use of permanent replacement workers, and I certainly will negotiate to stop the use of replacement workers from Canada and Mexico.

I also think—I want to note that this agreement allows Mexican truckers to drive in the United States without having to satisfy all the U.S. safety and training standards. That troubles me, and I think that you have to say that we must do everything we can under the agreement, and there are some things we can do, to assure there is adherence to U.S. standards through tough inspections.

There are several areas now that we have to negotiate supplemental agreements which I would want to present together with the agreement that's already been negotiated. Before implementing the agreement, we must establish an environmental protection commission with substantial powers and resources to prevent and clean up water pollution. The commission should also encourage the enforcement of the country's own environmental laws through education, training and commitment of resources, and provide a forum to hear complaints.

Such a commission would have the power to provide remedies, including money damages and the legal power to stop pollution. As a last resort, a country could even be allowed to withdraw.

If we don't have the power to enforce the laws that are on the books, what good is the agreement?

We must have some assurances on this. This is a major economic as well as an environmental issue.

Best of all, I'm going to ask Senator Gore to take charge of ensuring that an effective commission is established and that it does work to protect the environment.

The Bush administration has talked about setting up a commission, but it's too little, too late. It won't even be up for final discussion until next year. By then, the incentives the other countries have to do anything meaningful will have evaporated if the agreement is already adopted.

That is unacceptable. Al Gore and I will ensure that the environmental protection commission is up and running when the free trade agreement is up and running.

A second commission with similar powers should be established for worker standards and safety. It too should have extensive powers to educate, train, develop minimum standards and have similar dispute resolution powers and remedies. We have got to do this. This is a big deal.

Perhaps the toughest issue of all is how to obtain better enforcement of laws already on the books on the environment and worker standards. It's interesting that the agreement negotiated by the Bush team goes a long way to do this in protecting intellectual property rights and the right to invest in Mexico, but is silent with respect to labor laws and the environment.

I want to remedy that. I'm interested in the impact of this agreement on the rest of the people, not

just those investing in Mexico, but the rest of the people in this country and the rest of the people in their country.

So we need a supplemental agreement which would require each country to enforce its own environmental and worker standards. Each agreement should contain a wide variety of procedural safeguards and remedies that we take for granted here in our country, such as easy access to the courts, public hearings, the right to present evidence, streamlined procedures and effective remedies. I will negotiate an agreement among the three parties that permits citizens of each country to bring suit in their own courts when they believe their domestic environmental protections and worker standards aren't being enforced.

Finally, I want to ask Congress to grant the authority to the president to continue negotiations on the impact of this treaty. What if we have a global agreement? How will that impact this? And most important, what happens if there is an unexpected surge in imports in one sector or another that displaces huge numbers of people in this economy?

We have in our present trade law, believe it or not—a lot of people don't know this—we have in our present trade law the capacity to protect our own workers if there is, quote, an unexpected surge in exports—or imports into our country in some sectors of the economy, where the displacement is too great for us to manage, too great for us to retrain, too great for us to put people to work in other sectors.

That provision is contained for automobiles only in the North American Free Trade Agreement, and the remedy is weakened substantially.

I believe we should negotiate a parallel agreement that deals with the fact that neither the Mexicans nor the Americans know what the full consequences of this agreement are going to be. You can't get anybody to agree on how many jobs we're going to lose or how many jobs we're going to gain out of this. And I think it's fair to say that we don't want to do anything that's unnecessarily crippling to them, and they shouldn't want to do anything that's unnecessarily crippling to us.

So I will ask the Congress to give me extended authority to negotiate another agreement to deal with the ability of both countries to move in the event there is an unexpected and overwhelming surge in imports into either country which would dislocate a whole sector of the economy so quickly that there's nothing we could do about it to overcome the economic impact.

Now, I want to say one more time, none of this will make a difference unless we have a new economic policy. This administration has no strategy to create and preserve jobs in middle America, but they offer job training, low cost loans and technical assistance to companies that'll move to Central America. I know that most of you saw or now have heard the television show which documented the fact that the United States Agency for International Development has spent at least \$289 million for programs to encourage American businesses to shut down here and move to Central America and the Caribbean. In fact, your tax dollars paid for this advertisement. And I quote—you paid for this: Rosa Martinez produces apparel for the U.S. markets on her sewing machine in El Salvador. You can hire her for 57 cents an hour.

How do you feel about paying for that? You paid for low-interest loans to a plant in Tennessee to shut down in Tennessee, put 304 people on the street, and move to Central America. But that fellow running that plant couldn't get the same low-interest loan to modernize plant and equipment in Tennessee to keep those people working.

You paid for an employee of the United States government who was photographed in an interview

saying that the workers in the country he was working in were more reliable than the workers in Miami, Florida. You paid for that.

It is no wonder that the American working people are so frightened of having this administration implement this trade agreement.

We've got to stop using our own taxpayers' money to export their own jobs. And it's unbelievable to me that we have actually spent more money under the Bush administration last year to train workers in Central America than we spent to train people in middle America who had lost their jobs because of foreign competition. Now, that is their priorities. But let me say again, it's not enough just to stop what they are doing wrong. We have to do some new things right. And let me reel them off quickly:

We've got to change the tax system in this country. We should give people more incentives if they invest in new plants, new equipment, new small businesses, research and development, housing, the kinds of things that put the American people to work, and we should remove from the tax code the incentives to shut plants down here and move them overseas. That's what we should do.

This is entirely consistent with what the other wealthy countries do. This is the only country--you look at Germany and Japan, look at their tax code--that would say we're not going to give you an investment tax credit to modernize your equipment and your plant; but shut your plant down, move it overseas, we'll give you a tax deduction for shutting the plant down, we'll give you loss carried forward for the losses in the earlier years, keep your money down there and you'll never have to pay income tax on it in America.

It's all backward. We need a tax system that's an investment job-oriented tax system that says, we want people to make money in America, but we want them to make it the old fashioned way--make millionaires by putting other Americans to work. That's very, very important.

I mentioned this once before and you clapped so I know you got it, but we've got to have a conversion strategy to do something with the defense money. The defense budget is going to be cut no matter who wins this election.

But look what has happened. What has happened under the present Administration is all that money is going to the S&L bailout and the higher health care cost. I want to put it into jobs for Americans. It's important.

We've got to have--we have got to finally join the other advanced nations and have a national system to bring health costs in line with inflation and provide basic health care to all Americans; one that preserves the strengths of our system, but deals with the problems.

We've got to bring energy usage into competitive lines with more efficiency and alternative uses of energy, more use of cheap American natural gas, renewable energy sources, and efficiency.

If we could be as efficient in every factory and office building as our foreign competitors, it would free up billions of dollars to reinvest in this economy.

If we could bring health care cost in line with inflation, it would save the average American family \$1,200 a year and hundreds of billions of dollars for this economy, which could be reinvested for new jobs by the end of this decade hundreds of billions of dollars.

And let me point out, that that is why our campaign has been getting such broad based support. The Teamsters endorsed the Clinton-Gore ticket, the first Democratic ticket they had endorsed in two

decades. In the hi-tech center of America, Silicon Valley, 21 computer and electronic executives endorsed our ticket; two-thirds of them were Republican.

In Chicago the other day, 400 business executives endorsed our campaign; a third of them were Republicans—because they know that what's going on now is not working.

On the health care issue, Mr. Bush keeps dumping on me, but the Nurses Association endorsed our campaign; the first time they ever had.

The American College of Physicians, 77,000 doctors issued a health care plan very similar to mine, and last week people who had been executives in both the Republican and Democratic Administrations said that Bush's health care plan would not control costs; that mine would save the average family nearly \$1,200 a year by the year 2000 and that we would cover everybody, and his plan would still leave 27 million people uncovered.

There is a reason why this kind of support is being generated for this ticket.

For all of its complexities, the debate over this treaty comes down to this:

It's clear what the benefits of trade are. It's clear what the hazards of investment across national lines are, and the issue you have to face is who do you trust to protect our workers, our communities, and our environment?

George Bush, whose Administration encourages American corporations to move to other countries with low wages and lax environmental laws, and even spends your tax money to finance it, or Bill and Al Gore who have a long record of fighting for good jobs and a healthy environment?

Do you trust George Bush, who has amassed the worst economic record in 50 years, the first decline in manufacturing, two-thirds of the working people with their wages going down, 1 in 10 Americans on food stamps, quadrupled the debt in the last 12 years with our investment in the future going down, and no strategy for the future, or, a different kind of Democrats who believes we can have both, open markets and a strong domestic economy?

In the end, whether the North American Free Trade Agreement is a good thing for America, is not a question of foreign policy. It is a question of domestic policy.

If we are not strong at home, we will inevitably be weaker abroad. We have to build a new economy in which incomes and employment are rising and companies are growing; a society in which opportunity is expanding and hope comes alive again.

And so I say to you, my fellow Americans, we have to have the courage to change, and a part of that change should involve a closer relationship with Mexico now under better leadership than ever in my lifetime. If we have the determination to reject failed policies and the old labels of the past, if we have the vision to see and work toward a better tomorrow, then we need not fear the future. If we seize this day and shape this change, we can make our great country what it was meant to be.

Thank you very much.

NEWS RELEASE

FOR IMMEDIATE RELEASE
FOR MORE INFORMATION CONTACT:
Ralph Nader 202-387-8030

NADER SAYS NAFTA WILL UNDERMINE KEY
ENVIRONMENTAL PROPOSALS IN VP AL GORE'S BOOK

Consumer advocate Ralph Nader today called on Vice President Gore to explain how his support for the North American Free Trade Agreement (NAFTA) squares with proposals made in Gore's book, Earth in the Balance (Plume edition, 1993).

Nader said that most of Gore's key US environmental and energy policy prescriptions (the only exception being Gore's proposed carbon tax) would, if enacted, be subject to challenge as "non-tariff trade barriers" under NAFTA. The challenges would be made before secret international NAFTA tribunals whose decisions are unreviewable in US courts. "By backing NAFTA, the Vice President is, in effect, surrendering the ability to effectively legislate and implement his own ideas," Nader said.

In his concluding chapter, entitled "A Global Marshall Plan" (subsection: "The US Role") Gore proposes:

--subsidies for "environmentally benign technologies -- such as low-energy light bulbs or high-mileage automobiles" (p. 349, proposal #1), which run afoul of trade rules incorporated into NAFTA against subsidies to particular industries.

--imposition of a Virgin Materials Fee "at the point of manufacture or importation based on the quantity of nonrenewable, virgin materials built into the product" (p. 349, proposal #2), which would be subject to challenge under NAFTA because it is a tax on a production process.

--"tax credits to subsidize the purchase of equipment necessary for recycling and for the efficient collection and use of recycled materials" (p. 349, proposal #2), which would also run counter to NAFTA if they were directed to particular industries, as they would almost certainly have to be.

--requiring the government to purchase recycled paper and environmentally sound goods (p. 350, proposal #3), an idea which Gore also emphasizes in his report on "Reinventing Government," but which runs counter to NAFTA rules on government procurement embodied in NAFTA Chapter 10, Article 1007.

--"higher mileage requirements for all cars and trucks sold in the United States" (p. 350, proposal #4), which would be subject to challenge under NAFTA Chapter 9, and indeed are now (in the mileage requirements' current form) being challenged under GATT.

--utility rate reforms to "encourage full use of conservation and efficiency measures" (p. 350, proposal #6), which could also be defined as unfair barriers under NAFTA, Chapter 6, if it were, for example, argued that they served to make utilities lower their demand for Mexican oil.

--subsidizing "the development of truly benign substitutes" for ozone destroying chemicals (p.351, proposal #8) would likewise be vulnerable under the NAFTA subsidy strictures, as would (under Article 104 of the NAFTA international environmental agreements) Gore's companion proposal to phase-out the ozone-destroyers faster than required under the Montreal protocol.

Nader noted that while Gore's proposals might indeed have considerable merit, the US would face the prospect of fines and other sanctions if it tried to enact them under NAFTA.

Nader added that Gore, in his book, calls for "incorporat(ing) standards of environmental responsibility in the laws and treaties dealing with international trade." and says that "weak and ineffectual enforcement of pollution control measures should also be included in the definition of unfair trading practices" (p. 343). Yet Gore now supports a NAFTA which will create pressure to roll-back environmental standards, and which specifically turns his recommendation on its head by limiting the pertinent definition of unfair trading practices to pollution control measures that are too strong. (NAFTA, Chapter 9).

###

REMARKS OF
DR. BENJAMIN F. CHAVIS, JR.
AT THE NAACP LEADERSHIP SEMINAR
ON THE NORTH AMERICAN FREE TRADE AGREEMENT

On behalf of the National Association for the Advancement of Colored People (NAACP), I would like to thank our presenters and panelists for their substantive and informative discussions on the North American Free Trade Agreement (NAFTA) and its specific meaning for the African American community.

This is part of an ongoing NAACP effort to examine and address major policy initiatives that impact the African American community. We have, for example, a significant interest in the economic policies of our nation. Specifically, the NAACP is concerned about how these policies directly affect the availability of needed jobs in our community. We decided to assess, therefore, whether African Americans stand to gain or lose under NAFTA.

It has been said that NAFTA represents one of the most important international trade initiatives of the second half of the 20th century. We have heard NAFTA supporters state: that from a trade perspective, the agreement will facilitate the integration of Canada, Mexico and the United States, thereby producing an integrated trading system for a population base of 365.5 million and a GDP of \$6.2 trillion. This, of course, has the potential to transform these three nations into the world's most powerful economic entity. There is also an expectation that productivity and living standards will increase in these nations under NAFTA.

We have also been informed, however, that African American workers could bear the brunt of the downside of the trade agreement. The downside is the relocation of American industries to Mexico. African American workers are concentrated in urban communities and employed by flight-prone industries. These industries — textile and apparel factories and auto assembly plants — currently have large percentages of African American workers. These industries are in communities that already suffer high unemployment and are most vulnerable to the social upheaval that is brought about by higher unemployment.

The loss of low-skill jobs to Mexico where labor costs are presumed to be cheap is significant. The potential replacement of this loss by growth in higher-skilled and

professional jobs under NAFTA may not fully meet the needs of African Americans who lack the educational training required for upward job mobility.

It is important to note that the NAACP has not established a policy on NAFTA to date. We intend to use these focussed discussions to assist in the formulation of a policy on the trade agreement. I am confident that we have benefitted from these discussions concerning the economic, political and social implications of NAFTA. We have heard today from those who fully support and those who fully oppose the agreement. We have also heard recommendations for supporting the agreement conditioned upon the inclusion of certain provisions. These suggestions include the following:

- increased support for the retraining of workers affected by plant closings.
- increased support for community development banks to provide capital to communities where capital flight is rampant.
- increased support for the social service systems in communities that will be negatively impacted by NAFTA.
- tax and other credits to new or established enterprises that choose to remain in communities negatively impacted by NAFTA.

For all of these reasons, the NAACP must and will develop a coherent policy position on the free trade agreement. The NAACP will integrate its existing, comprehensive policies on issues such as job creation, training, labor law enforcement, education, environmental justice, etc, into a policy on the overall impact of NAFTA on the economic and political status of African Americans.

In the final analysis, our participation in this significant debate represents new directions for the NAACP and our attempt to broaden the agenda of civil rights advocacy.



WASHINGTON BUREAU

NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

1025 VERMONT AVENUE, N.W. • SUITE 730 • WASHINGTON, D.C. 20005
(202) 638-2289 FAX (202) 638-5836

July 14, 1993

NAACP ANNOUNCES ITS OPPOSITION TO THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

The NAACP today announced its opposition to the final ratification of the North American Free Trade Agreement (NAFTA) "in its present form", and called upon the Clinton Administration to pursue economic strategies for the United States which maximize the productivity of the nation's total potential workforce. The action was taken in an "emergency resolution" adopted by delegates to the NAACP's 84th Annual Convention in Indianapolis, Indiana (resolution attached).

The NAACP's opposition to NAFTA is based largely on concern for the agreement's potentially negative impact on African American and other workers in the projected loss to Mexico of industrial, agricultural and manufacturing jobs. Moreover, the continuing high level of unemployment in the African American community -- which could be exacerbated by NAFTA-related job loss -- renders the accord problematic. The absence of adequate education, job training and minority business initiatives associated with NAFTA were also considerations in the NAACP's opposition to the agreement in its present form.

The NAACP's resolution notes that NAFTA was negotiated by the Bush Administration without the input of the NAACP nor with particular consideration of the agreement's impact on African Americans. There is also concern that so-called "side agreements" to NAFTA will not be responsive to the needs of the African American community. The African American community's experience with NAFTA demonstrates the importance of the NAACP's continued involvement in the issue of international trade. Finally, the resolution calls for the NAACP's continuing co-operation with the Clinton Administration in any subsequent discussions on issues affecting the economic viability of the United States.

"The myth that 'a rising economic tide lifts all boats' has long been discredited when applied to African Americans," said Wade Henderson, Director of the Washington Bureau of the NAACP. "The NAACP supports economic growth for the United States, but NAFTA in its present form will further drain the economic base of the African American community."



WASHINGTON BUREAU
 NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE
 1025 VERMONT AVENUE, N.W. • SUITE 730 • WASHINGTON, D.C. 20006
 (202) 638-2289 FAX (202) 638-5936

NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

WHEREAS, the North American Free Trade Agreement (NAFTA) is of major concern to Americans in general and African Americans in particular; and

WHEREAS, the National Association for the Advancement of Colored People (NAACP), in conjunction with other concerned organizations, has fully analyzed the proposed agreement; and

WHEREAS, the United States is staggering under a \$230 billion trade deficit which is partly to blame for the high level of African American unemployment and the wretched conditions currently affecting the inner cities of our nation; and

WHEREAS, NAFTA will have a negative impact on the generation of public revenues in this country, at precisely the time when entitlement benefits and services are under great strain; and

WHEREAS, the NAACP is concerned that the United States trade deficit with Mexico has already grown in many industries and the estimates of probable job loss due to NAFTA could reach as high as one million. State and local governments will lose tax revenues from businesses who relocate, and individuals who become jobless. In those regions that suffer the most intense job losses, the corresponding loss of tax revenues will be substantial; and

WHEREAS, there is little evidence to support to claim of NAFTA proponents that free trade will create higher wage jobs for U.S. workers under the assumption that Mexican workers will take jobs at the lower end of the skills ladder; and

WHEREAS, the major issue devastating the nation today is the lack of jobs. NAFTA, as drafted, will result in the loss of industrial, agricultural, and manufacturing jobs in the United States that are important to African Americans, as well as to depress wages in the United States, Mexico and Canada; and

WHEREAS, neither the NAACP nor the minority business community has been fully consulted or considered on NAFTA. For example, NAFTA was negotiated by the Bush Administration without consideration or involvement from the NAACP. Moreover, there

Page 2

are currently no proposals to provide technical financial, marketing or educational assistance to small businesses in general, or to minority businesses in particular, which are interested in trade and investment in Mexico; and

WHEREAS, the NAACP is committed to protecting employment opportunities for African Americans, and supports programs that promote equal employment opportunity; and

WHEREAS, the NAACP is equally committed to economic growth and the creation of business opportunities for minority businesses; and

WHEREAS, NAFTA is not primarily a free trade agreement. Rather it is an investment agreement designed to protect investments which U. S. companies make in Mexico; and

WHEREAS, increased global economic integration through the activities of multinational and trans-national corporations is on-going; and

WHEREAS, even without NAFTA, the movement of capital and productive capacity from Canada and the United States will continue; and

WHEREAS, an agreement between Canada, and the United States and Mexico, that creates a framework under which the rights of the citizens of all three countries are recognized and protected, should be negotiated; and

WHEREAS, the NAACP would be supportive of the long-range development of a "North American Common Market" between Canada, the United States and Mexico; and

WHEREAS, the Congressional Black Caucus voted by a solid majority to oppose NAFTA in its present form.

THEREFORE BE IT RESOLVED, that the NAACP opposes adoption of the North American Free Trade Agreement (NAFTA) in its present form because it would further drain the economic base of our community; and

BE IT FURTHER RESOLVED, that the NAACP joins in the call for the development of actions and policies by the United States, Mexico and Canada that:

** Raise workers' income, improve labor standards, and workplace and environmental standards, to the highest possible level;

** Use trade sanctions, including import restrictions, to enforce these standards and the rights of workers in all three countries, so that competition between workers can be diminished;

Page 3

** Encourage the pursuit of strategies that foster high incomes for workers and high productivity, education and training;

** Recognize the contribution that the United States' government could make to improving the lives of Mexican workers by requiring U. S. banks to provide more extensive debt relief to Mexico and diminishing Mexico's need to earn U. S. dollars;

** Promote cooperation between the people of the United States, Mexico, and Canada to build support for progressive economic and social policies and programs that recognize the value of each and every human being in all three countries; and

BE IT FURTHER RESOLVED, that we call upon the Clinton Administration to involve the NAACP in any subsequent trade negotiations or discussions that may affect the economic viability of the United States; and

BE IT FURTHER RESOLVED, that the national NAACP, branches, state conferences and Regional Training Conferences begin an extensive education program and a series of public forums to discuss the details of NAFTA and the NAACP position; and

BE IT FINALLY RESOLVED that the NAACP will work with the Executive Branch and Congress to address the concerns expressed in this resolution.

Adopted July 14, 1993, at the 84th Annual Convention in Indianapolis, Indiana.

As the nation's oldest and largest civil rights organization, the NAACP has had a longstanding interest in the economic and political status of African Americans. Economic and entrepreneurial development is an important key to equality for African Americans. In that regard, the NAACP determined that it was important to conduct a closer examination of the benefits and risks of NAFTA -- the proposed trade agreement between the United States, Canada and Mexico -- prior to its formal consideration by Congress later this year.

Regrettably, under terms approved by Congress and President George Bush, the NAFTA agreement will be handled under special "fast track" procedures in Congress. Fast track bars any substantive amendments to the agreement and puts a 90-day deadline on consideration (final passage or rejection) of NAFTA from the time the agreement is formally submitted to Congress.

The NAACP's position on NAFTA is the result of careful deliberation over a period of several months. In an effort to provide a balanced examination of NAFTA, on June 8, 1993 the Washington Bureau of the NAACP convened a "leadership seminar" for national board members and other interested persons which focused on important elements of the agreement. Although NAFTA was the particular focus of the discussion, panelists emphasized the importance of economic growth for the future of African Americans.

The seminar's keynote speaker, U.S. Trade Representative Mickey Kantor, addressed the terms of the final negotiations concerning NAFTA on issues such as the environment and labor standards. He was joined by Secretary of Commerce Ron Brown who discussed why NAFTA should be ratified and his department's efforts to promote NAFTA in African American, Hispanic American and Asian American communities.

Other panelists who participated in the seminar included William Lucy, Secretary-Treasurer of the American Federation of State, County and Municipal Employees who discussed in detail the damage NAFTA would cause to some U.S. workers. Noted economist Lester Thurow of the Massachusetts Institute of Technology, along with Professor Raul Hinojosa-Ojeda of the University of California at Los Angeles, examined the broader economic impact of the accord. James Robinson, former chairman of the American Express Company who was representing USA-NAFTA, urged the NAACP to support NAFTA because of the long-term advantages of the agreement in creating a new tariff-free market to rival those in Europe and Asia.

Public Citizen

Buyers Up • Congress Watch • Critical Mass • Health Research Group • Litigation Group

Ralph Nader, Founder

THE NAFTA IMPLEMENTING LEGISLATION AMENDS FOOD INSPECTION STATUTES TO GIVE AGENCIES THE DISCRETION TO PERMIT IMPORTS FROM CANADA AND MEXICO THAT DO NOT MEET U.S. STANDARDS BUT MEET "EQUIVALENT" STANDARDS!!!

Imports of Animals (cattle, sheep and swine) -- permits USDA to issue regulations excepting imports from Canada and Mexico from 21 U.S.C. § 104, which prohibited imports of animals diseased, infected with disease or exposed to such infection. § 361(b)

Animal Inspections -- permits USDA to issue regulations waiving with respect to shipments from Mexico or Canada any requirements of 21 U.S.C. § 105, which required official inspections of animal imports to ascertain whether the animals were infected or exposed to contagious diseases. § 361(c).

Poultry Inspection -- poultry imports from Mexico and Canada need not comply with U.S. standards set forth under 21 U.S.C. § 466(d), which requires all poultry imports capable of use as human food to be subject to the same inspection, sanitary, and residue standards as domestic products. Instead, imports will be permitted if they are "subject to inspection, sanitary, quality, species verification and residue standards that are equivalent to United States standards" and "have been processed in facilities and under conditions that meet standards that are equivalent to United States standards." § 361(e). "Equivalent" is not defined. The statutory amendment reiterates NAFTA's equivalence process, i.e., the other country supplies scientific evidence that their standards are equivalent and the U.S. may determine that the standards or processes are not equivalent only if it has a scientific basis for doing so.

Since the implementing legislation itself sets forth this standard, it would enable a poultry producer to challenge (as contrary to law under the APA) USDA's determination that Mexican or Canadian inspection procedures are not equivalent had an inadequate scientific basis.

Meat Inspection -- Amends 21 U.S.C. § 620(e) permitting meat imports from foreign plants in Canada and Mexico if USDA certifies that they comply with U.S. standards OR

comply with equivalent requirements regarding inspection and building construction and other unspecified requirements. Previously, USDA had the authority to certify foreign plants only once it determined that they complied with requirements at least equal to all inspection and building construction and other requirements under this provision. § 361(f).

As with the poultry inspection amendment, "equivalent" is not defined, and USDA can refuse to treat imports as equivalent only if it has a scientific basis for doing so, which could be challenged in U.S. courts by disgruntled meat exporters.

Peanut Butter -- provides that domestic peanuts must comply with Marketing Agreement No. 146, but imports (not just from Canada and Mexico) shall comply with either that marketing order or "sanitary measures that achieve at least the same level of sanitary protection." § 361(g). This amendment is designed to permit imported peanut butter that complies with different (but theoretically tougher) aflatoxin regulation. Again, the test for allowing in the imports that comply with a different standard is not well defined.



Buyers Up • Congress Watch • Critical Mass • Health Research Group • Litigation Group

Ralph Nader, Founder

EQUIVALENCE

Under the concept of equivalence, NAFTA countries would be required to permit imports of food and other products that are shown to achieve its level of protection, in the case of food safety standards, or fulfills its legitimate objective, in the case of technical standards. Article 714(2), 906(4). The NAFTA countries are also required to accept the result of the other countries' conformity assessment procedures unless they conclude that the procedures fail to provide an assurance equivalent to domestic procedures of compliance with applicable standards. Article 906(6).

The concept of "equivalency" has some precedent and experience under the U.S.-Canada Free Trade Agreement ("USCFTA") in the area of meat inspection. Prior to the USCFTA, the U.S. Department of Agriculture conducted random inspections of meat imported to the United States from Canada. Under the USCFTA, USDA conducted an equivalency study of Canadian meat inspection procedures. USDA's equivalency study did not require an identical inspection system, nor did it involve examinations of individual foreign plants. Instead, it employed a risk analysis to determine whether the Canadian system overall achieved the same results. General Accounting Office, Food Safety & Quality: USDA Improves Inspection Program for Canadian Meat, but Some Concerns Remain at 1-2, 4, 14 (Aug. 1992).

The General Accounting Office has criticized the equivalency determination for reaching certain conclusions without outside review and for overlooking important considerations. Thus, the study made professional judgments about the scientific and health implications of differences in the two systems, such as the U.S. testing of end products for listeria contamination, in contrast to the Canadian testing of workers and the work environment in which the food is processed. *Id.* at 5, 18. Nonetheless, these professional assessments were not peer reviewed. *Id.* at 2, 7. The equivalency study also did not assess the Canadian system's control of or testing for drugs approved for use in Canada but not in the United States. *Id.* at 3, 6, 20. Because USDA's testing program is driven by domestic concerns, border inspectors did not test for unapproved drugs in their reinspections of Canadian meat. *Id.* at 6.

Pursuant to its equivalency determination, USDA ceased inspecting all Canadian meat imports in 1989, and instead instituted a cursory reinspection system designed not to ensure that the meat imports met U.S. standards, but rather to ensure that

Canada maintained its equivalent inspection system. *Id.* at 1. Only certain shipments were inspected, USDA would give Canadian plants advance notice when a shipment was selected for inspection, and Canadian inspectors selected the samples to be inspected. *Id.* at 2.

The General Accounting Office criticized the relaxed border inspections, contending that USDA documentation did not support the conclusion that the Canadian meat inspection was equivalent to the U.S. system. *Id.* at 2. Meat inspectors complained that Canadian producers were taking advantage of the cursory reinspections and shipping contaminated meat. Under this system, the rejection rate dropped by half, even though the Canadian rejection rate for U.S. meat doubled over the same time period. *Id.* at 3, 25.

The concept of equivalency fueled a formal trade challenge under the USCFTA to Puerto Rico's restrictions of Canadian exports of ultra-high temperature milk under its newly adopted pasteurized milk ordinance. That ordinance is preventative in nature, designed to ensure milk industry compliance with safe sanitation standards and practices. It relies heavily on inspections and certifications by state and local agencies. The Canadian UHT milk did not comply with the Puerto Rican standards, nor had it joined the inspection and certification system used by Puerto Rico and throughout the United States. However, Canada argued that its standards were substantially equivalent, which the USCFTA defines as "having the same effect." The panel convened under the USCFTA concluded that Puerto Rico nullified and impaired Canada's expectations under the USCFTA by closing its market to UHT during the course of negotiations on equivalency, and it recommended the expeditious completion of an equivalency study. In re Puerto Rico Regulations on the Import, Distribution and Sale of UHT Milk from Quebec 95-60-.61 (June 3, 1993).

Equivalency is an inexact concept that can mean different things to different decisionmakers. As the Canadian meat inspection example illustrates, controversial public health determinations underlie equivalency determinations, yet NAFTA, like the USCFTA, entitles countries to such a determination, even on an expeditious basis, without requiring the assessment of every potentially significant public health issue or every inspection process. Applying the concept of equivalency to performance standards and good manufacturing practice requirements will present an array of difficult problems, as the listeria example in meat inspection illustrates.

Equivalency determinations made under NAFTA may have serious health implications. Thus, since 1982, when the number of steers imported from Mexico has increased nearly fourfold, the incidence of tuberculosis has increased substantially, with most cases that have been traced by USDA being linked to Mexican cattle. In addition, from 1984 through 1988, imports of meat from Mexico were prohibited because Mexican plants had not been certified by USDA as meeting U.S. standards. Since 1989, USDA has certified some

Mexican plants, and meat exports to the U.S. have grown. Given past problems with Mexican meat imports, an equivalency determination would raise serious health issues.

In addition, NAFTA would require the U.S. to make Mexico and Canada subject to the same inspection procedures that are applied to U.S. and other NAFTA countries' foods. This is so even if there has been a legitimate reason for treating the country differently. For example, special inspection procedures have been established more Mexican produce because it has higher DDT residues than domestic produce and than permitted under U.S. law. Under NAFTA, the U.S. must conduct inspection procedures in no less favorable manner than for like goods of the U.S. or other countries. Article 717(1)(a). The U.S. may need to discontinue these inspections.



Buyers Up • Congress Watch • Critical Mass • Health Research Group • Litigation Group
Ralph Nader, Founder

PRIMER ON NAFTA'S STANDARDS PROVISIONS

I. THE MEANS USED TO ACHIEVE A LEGITIMATE GOAL

Two means tests are creeping into GATT trade disputes: (1) a requirement that the country use the alternative means that are the least restrictive to trade or the least inconsistent with the trade agreement; and (2) an analysis that views an otherwise legitimate measure as suspect simply because it has a disproportionate impact on imports, even if it is not discriminatory on its face, or even in its purpose.

It's important to recognize that these tests are not set in stone under GATT, particularly as applied to health and environmental measures: (1) the Tuna-Dolphin panel report has not been adopted by the GATT Council; (2) the same issues are being revisited in the second Tuna-Dolphin challenge with the U.S. arguing strenuously against the first decision; (3) the one adopted panel report on a health or environmental matter accepted the least GATT inconsistent test but rejected the notion that a facially nondiscriminatory measure that had a disproportionate impact on imports would be inconsistent with GATT on the facts in that case; and (4) GATT panel reports are not binding precedent in the way that U.S. court decisions are. If these tests are written into NAFTA, they will gain the political legitimacy that they currently lack.

Several NAFTA provisions invite scrutiny of the means used by a country (or state) to achieve its legitimate objectives.

A. FOOD SAFETY STANDARDS

1. Unnecessary Obstacles

Each Party shall ensure that any sanitary or phytosanitary measure that it adopts, maintains or applies is applied only to the extent necessary to achieve its appropriate level of protection, taking into account technical and economic feasibility. Article 712(5).

The "only to the extent necessary" language is far clearer on requiring least restrictive trade alternatives than any language under which that test has previously been applied. When coupled with the "taking into account technical and economic feasibility" language, this test is devastating.

Although the Ambassador Kantor has tried to give the impression that a food safety measure is insulated from attack, that reading is not compelled by the plain language.

EXAMPLES:

The Delaney Clause establishes a 0-risk (level of protection) for carcinogenic pesticides that concentrate in processed foods. EPA has established some cautionary policies that expand the 0 risk to some raw commodities. Thus, because EPA does not know which apple will be used to make applesauce, it establishes a 0 tolerance for residues of the carcinogenic pesticide on the apple as well as in the applesauce. Industry has petitioned EPA to revoke this policy. A trade challenge could be mounted to it because the level of protection is 0 risk from carcinogenic pesticides that concentrate in processed foods (a higher risk is permitted from carcinogens in raw commodities). The coordination policy, as it is known, is a means to achieve that end. A challenger could argue, as industry has, that this policy is not necessary because FDA could simply monitor the processed foods for the residues instead.

A ban on fish with lead levels that are safe for everyone except pregnant women and children might be challenged on the ground that warnings would suffice. The same type of challenge could be made to a ban on dyes or genetically altered produce that is safe for consumption except for vulnerable subpopulations.

Technology forcing regulations might be vulnerable. For example, EPA entered into a settlement several years ago that provided that carbofuran could not be used on rice three years down the road, even though no substitutes were then available. Or, an agency might ban the use of lead solder in food cans five years from now in order to force industry to come up with alternatives. The technical and economic feasibility caveat in this provision might make such a technology forcing measure vulnerable to challenge.

Federal statutes and regulations establish the level of protection from exposure to pesticide residues on food. EPA establishes tolerances for X pesticide on broccoli (or bans the residues altogether) and prohibits an import that has greater residues. A country may challenge the import ban and contend that the tolerance level and bar of the import are not necessary to achieve the level of protection because the residue will diminish over the time that it is transported, with routine washing, or with cooking, or people do not eat as much broccoli as EPA assumed in setting the tolerance.

The Circle of Poisons Prevention Act would ban the export of certain hazardous pesticides in part to prevent them from being used on foods exported back to the U.S. A challenger could argue that the export ban is not necessary because permitting the export but prohibiting and monitoring for the residues would achieve the level of protection.

Labeling requirements: A country challenges a labeling requirement for foods containing a known carcinogen on the ground that there is no evidence of a cancer risk from consuming a particular food.

If Congress or the FDA decides that mandatory nutritional labeling is necessary to provide consumers information about potentially harmful additives, such as salt, MSG, nitrites, or sulfites, a trade panel might decide that voluntary labeling would suffice or that not all foods need to be covered by mandatory requirements.

2. Disguised Restrictions

No Party may adopt, maintain or apply any sanitary or phytosanitary measure with a view to, or with the effect of, creating a disguised restriction on trade between the Parties. Article 712(6).

This language may allow challenges to measures that are not facially discriminatory but have disproportionate effects on imports. If so, all sorts of measures could be challenged: Pesticide tolerances or bans on mangoes, bananas, or other foods that come primarily from other countries; the failure to permit residues of a pesticide used in other countries but not in the U.S.; prohibitions on food additives from other countries.

In two GATT disputes, the phrase "applied in a manner which would constitute a disguised restriction on trade" has been construed more narrowly to require that a trade restriction be a matter of public record or process (published in the Federal Register or resulting from an administrative process) and applied as a trade measure (e.g., enforced at the border). This construction, however, has been criticized.

Given the criticisms of the two GATT panel decisions, and the words "with the effect of" prefacing "creating a disguised restriction on trade," this language may incorporate a discriminatory effects test. Even under a narrower construction, FDA action levels may be vulnerable. As may a ban on listeria in cheese, which is only imported, while other listeria is not banned.

3. Non-discriminatory Treatment

Each Party shall ensure that a sanitary or phytosanitary measure that it adopts, maintains or applies does not

arbitrarily or unjustifiably discriminate between its goods and like goods of another Party, or between goods of another Party and like goods of any other country, where identical or similar conditions prevail. Article 712(4).

A measure that is on the books and applicable to all products or producers within its terms is not "arbitrary" under GATT jurisprudence.

"Unjustifiable" has not been construed by GATT panels, and thus it may be more problematic. The term is value-laden and calls for a subjective judgment of whether something is justified. It may be read to require use of the least trade restrictive alternative.

B. TECHNICAL STANDARDS (any nonfood measure) to safety, protection of human, animal or plant life or health, the environmental protection, or consumer protection).

1. Unnecessary Obstacles

No Party may prepare, adopt, maintain or apply any standards-related measures with a view to or with the effect of creating an unnecessary obstacle to trade between the Parties. An unnecessary obstacle to trade shall not be deemed to be created where:

- (a) the demonstrable purpose of the measure is to achieve a legitimate objective; and
- (b) the measure does not operate to exclude goods of another Party that meet that legitimate objective.

The second sentence limits the reach of this provision to those situations in which a good is barred explicitly or in effect.

EXAMPLES:

OVERINCLUSIVENESS CHALLENGES:

In a court challenge to the Environmental Protection Agency's phaseout of asbestos, the Government of Canada filed an amicus brief arguing that the asbestos phaseout violated both GATT and the U.S.-Canada Free Trade Agreement. In particular, the amicus brief contended that a less restrictive alternative would involve banning the most harmful type of asbestos, while still permitting the use with restrictions of less harmful types of asbestos, which are produced principally in Canada. The court decided the case on domestic law grounds without reaching the trade issues. Corrosion Proof Fittings v. EPA, 947 F.2d 1201 (5th Cir, 1991). Under NAFTA, however, Canada might be able to mount such a trade challenge, if it could show that banning imports of the

Canadian type of asbestos is not necessary to achieve the legitimate public health objective of the phaseout.

If (as it once did), the Department of Transportation required trucks to use antilock brakes, a challenger might argue that anti-jack knife devices would have the same effect, even though it takes longer to stop the truck with them.

If the U.S. decided to ban asbestos-lined brakes because U.S. workers are exposed to the asbestos when they install or repair the brakes, another country could argue that the ban is unnecessary because the workers could use protective clothing and ventilation to limit the risk.

Congress is considering banning balls with a greater than 1.75 inch diameter for small children. CPSC decided it did not have enough evidence of a problem presented by balls that are larger than the current size limit for toys. Only one child was known to be injured from such a ball. If the measure passes, a challenger could argue that it is unnecessary or that hard plastic or wood balls should not be subject to it.

OSHA is considering phasing out cadmium batteries because the cadmium leaches into ground water in landfills. Most substitutes also contain heavy metals that would present similar problems. A challenger might argue that a ban on cadmium batteries does not meet the objective.

If Material Safety Data Sheets are harmonized and another country uses a harmonized MSDS that falls short of our requirements, a challenge could be brought to the U.S. requirement where it bars import of the product.

RECYCLING MEASURES:

The European Court of Justice invalidated a component of a Danish recycling scheme requiring the use of reusable containers that could be handled by facilities in Denmark. In order for the system to work, Denmark argued, and the court agreed, only 30 types of bottles could be used. For this reason, Denmark required the use of approved bottles. It had never disapproved the use of a type of container, and it had not yet approved the maximum number that its system could handle. Nonetheless, the court struck down the requirement because it had a heavier burden on other countries. In re Disposable Beer Cans: Commission v. Denmark, 1988 E.C.R. 4607, 1 C.M.L.R. 619 (1989).

Under the same logic, Germany's new recycling law, which requires manufacturers to ensure that set percentages of their packaging materials are recycled or reused, could be vulnerable, if it operated to exclude goods.

Requiring manufacturers to take responsibility for waste from their products after sale in another country would be more burdensome for foreign manufacturers than domestic ones, and might lead a manufacturer to cease exporting goods to that country.

Ontario has a taxing system that taxes recyclable beer containers at a higher rate than reusable ones. The U.S. aluminum can and beer industries have complained that it discriminates against U.S. beer, which is sold largely in cans, as compared with Canadian beer, which is sold largely in bottles, perhaps because Canada has already made the transition to bottles. If the tax kept out U.S. beer, or if Ontario required all beer to be sold in reusable bottles, the measure would be vulnerable.

2. International Environmental Agreements

NAFTA specifies that obligations under certain international environmental agreements prevail in the event of a conflict with NAFTA. However, it requires NAFTA countries to use the means of complying with such obligations that are the least inconsistent with other NAFTA provisions, where the country has a choice between equally effective and reasonably available means of complying with the Agreement. Article 104(1). The United States has gone beyond its mandatory obligations under both the Montreal Protocol on Substances that Deplete the Ozone Layer and the Convention on International Trade in Endangered Species of Wild Fauna and Flora in ways that severely restrict trade (by banning use of certain chemicals and trade in certain species or products). The means used by the United States may be vulnerable under the least inconsistent with NAFTA test, particularly since the U.S. actions are not compelled by the Agreements but are in furtherance of their goals. Because both Agreements and the U.S. measures are designed to protect the environment or species outside U.S. territory, and NAFTA is silent as to whether technical standards may promote extraterritorial goals (S & P standards may not), the international environmental agreement section of NAFTA is key for these provisions.

3. Process Regulation.

NAFTA's S & P and technical standards provisions apply to the regulation of processes or production methods only to the extent they are related to the characteristics of a good. Thus, the process of producing milk may be regulated to prevent contamination of the milk. Meat imports can be barred because the slaughtering process violates sanitation standards, but not because it is inhumane to the animals. Nor can fish imports be barred because the fish were caught with large drift nets.

If GATT precludes prohibitions on an import because of the way it is processed, as the tuna-dolphin decision suggested, NAFTA would simply provide another basis for the same result. However,

if such process regulations come within the GATT exceptions, as the U.S. is arguing in the second tuna-dolphin dispute proceeding, NAFTA would provide new grounds for setting aside such food safety measures, but not technical standards because the GATT exceptions are incorporated into NAFTA for them. For food measures designed to protect human or animal life and health, such as humane animal treatment or slaughter requirements, NAFTA would lock in the restrictive rules.

The same is true with respect to extraterritorial regulation. NAFTA's food safety chapter does not allow regulation to protect health or life outside a country's territory. The technical standards chapter is silent and it incorporates the GATT exceptions. If GATT prohibits extraterritorial regulation, then NAFTA is in accord with GATT. If GATT permits such regulation or leaves the issue open, NAFTA resolves it against extraterritorial regulation for food safety.

II. EQUIVALENCE

Under the concept of equivalence, NAFTA countries would be required to permit imports of food and other products that are shown to achieve its level of protection, in the case of food safety standards, or fulfills its legitimate objective, in the case of technical standards. Article 714(2), 906(4). The NAFTA countries are also required to accept the result of the other countries' conformity assessment procedures unless they conclude that the procedures fail to provide an assurance equivalent to domestic procedures of compliance with applicable standards. Article 906(6).

The concept of "equivalency" has some precedent and experience under the U.S.-Canada Free Trade Agreement ("USCFTA") in the area of meat inspection. Prior to the USCFTA, the U.S. Department of Agriculture conducted random inspections of meat imported to the United States from Canada. Under the USCFTA, USDA conducted an equivalency study of Canadian meat inspection procedures. USDA's equivalency study did not require an identical inspection system, nor did it involve examinations of individual foreign plants. Instead, it employed a risk analysis to determine whether the Canadian system overall achieved the same results. General Accounting Office, Food Safety & Quality: USDA Improves Inspection Program for Canadian Meat, but Some Concerns Remain at 1-2, 4, 14 (Aug. 1992).

The General Accounting Office has criticized the equivalency determination for reaching certain conclusions without outside review and for overlooking important considerations. Thus, the study made professional judgments about the scientific and health implications of differences in the two systems, such as the U.S. testing of end products for listeria contamination, in contrast to the Canadian testing of workers and the work environment in which the food is processed. *Id.* at 5, 18. Nonetheless, these professional assessments were not peer reviewed. *Id.* at 2, 7. The equivalency study also did not assess the Canadian system's control of or testing for drugs approved for use in Canada but not in the United States. *Id.* at 3, 6, 20. Because USDA's testing program is driven by domestic concerns, border inspectors did not test for unapproved drugs in their reinspections of Canadian meat. *Id.* at 6.

Pursuant to its equivalency determination, USDA ceased inspecting all Canadian meat imports in 1989, and instead instituted a cursory reinspection system designed not to ensure that the meat imports met U.S. standards, but rather to ensure that Canada maintained its equivalent inspection system. *Id.* at 1. Only certain shipments were inspected, USDA would give Canadian plants advance notice when a shipment was selected for inspection, and Canadian inspectors selected the samples to be inspected. *Id.* at 2.

The General Accounting Office criticized the relaxed border

inspections, contending that USDA documentation did not support the conclusion that the Canadian meat inspection was equivalent to the U.S. system. *Id.* at 2. Meat inspectors complained that Canadian producers were taking advantage of the cursory reinspections and shipping contaminated meat. Under this system, the rejection rate dropped by half, even though the Canadian rejection rate for U.S. meat doubled over the same time period. *Id.* at 3, 25.

The concept of equivalency fueled a formal trade challenge under the USCFTA to Puerto Rico's restrictions of Canadian exports of ultra-high temperature milk under its newly adopted pasteurized milk ordinance. That ordinance is preventative in nature, designed to ensure milk industry compliance with safe sanitation standards and practices. It relies heavily on inspections and certifications by state and local agencies. The Canadian UHT milk did not comply with the Puerto Rican standards, nor had it joined the inspection and certification system used by Puerto Rico and throughout the United States. However, Canada argued that its standards were substantially equivalent, which the USCFTA defines as "having the same effect." The panel convened under the USCFTA concluded that Puerto Rico nullified and impaired Canada's expectations under the USCFTA by closing its market to UHT during the course of negotiations on equivalency, and it recommended the expeditious completion of an equivalency study. In re Puerto Rico Regulations on the Import, Distribution and Sale of UHT Milk from Quebec ¶ 5.60-.61 (June 3, 1993).

Equivalency is an inexact concept that can mean different things to different decisionmakers. As the Canadian meat inspection example illustrates, controversial public health determinations underlie equivalency determinations, yet NAFTA, like the USCFTA, entitles countries to such a determination, even on an expeditious basis, without requiring the assessment of every potentially significant public health issue or every inspection process. Applying the concept of equivalency to performance standards and good manufacturing practice requirements will present an array of difficult problems, as the listeria example in meat inspection illustrates.

Equivalency determinations made under NAFTA may have serious health implications. Thus, since 1982, when the number of steers imported from Mexico has increased nearly fourfold, the incidence of tuberculosis has increased substantially, with most cases that have been traced by USDA being linked to Mexican cattle. In addition, from 1984 through 1988, imports of meat from Mexico were prohibited because Mexican plants had not been certified by USDA as meeting U.S. standards. Since 1989, USDA has certified some Mexican plants, and meat exports to the U.S. have grown. Given past problems with Mexican meat imports, an equivalency determination would raise serious health issues.

In addition, NAFTA would require the U.S. to make Mexico and Canada subject to the same inspection procedures that are applied to U.S. and other NAFTA countries' foods. This is so even if there

has been a legitimate reason for treating the country differently. For example, special inspection procedures have been established more Mexican produce because it has higher DDT residues than domestic produce and than permitted under U.S. law. Under NAFTA, the U.S. must conduct inspection procedures in no less favorable manner than for like goods of the U.S. or other countries. Article 717(1)(a). The U.S. may need to discontinue these inspections.

III. THE HARMONIZATION PROCESS

NAFTA is part of a recent trend toward harmonization of domestic health and environmental standards. Both NAFTA and the Uruguay Round would require countries to use international standards as a basis for their own, and it would create a presumption that certain international food safety and technical standards do not create unfair trade barriers. Articles 713(2); 905(1). NAFTA goes further and requires the countries to make their standards "compatible" to the greatest extent practicable, and to make their food safety standards "equivalent" or where appropriate identical. Articles 906(2), 713(1), 714.

NAFTA establishes processes for harmonizing standards among the three countries. Representatives of each country will participate in committees to establish harmonized standards. These committees need not involve the public in their proceedings. Thus, there is no open meeting requirement, no right of access to their records, no requirement that the public be afforded an opportunity to comment on proposed standards. In this respect, these committees may diverge sharply from domestic standard-setting processes in Congress or in federal agencies under the Administrative Procedure Act.

Nor are states guaranteed a participatory role, even though their standards may be adversely affected by the harmonization process. Once the three countries have agreed on harmonized standards, they must work to ensure that each country adopts that standard as its own, or at a minimum permits imports that comply with the standard. A state standard that provides greater protection than the harmonized one will be suspect and vulnerable to challenge as an unfair trade barrier on nullification and impairment grounds.

IV. BASIS FOR FOOD SAFETY STANDARDS

Food safety measures must meet three other tests. They must be:

- (a) based on scientific principles, taking into account relevant factors, including, where appropriate, different geographic conditions;
- (b) not maintained where there is no longer a scientific basis for it; and
- (c) based on a risk assessment, as appropriate to the circumstances.

Article 712(3).

"Scientific basis" is defined as "a reason based on data or information derived using scientific methods."

"Risk assessment" is defined as "an evaluation of . . . the potential for adverse effects on human or animal life or health arising from the presence of an additive, contaminant, toxin or disease-causing organism in a food, beverage or feedstuff."

The DIOSE contends that our food safety standards would not be in jeopardy under these requirements because any determination that a food poses a health risk would be made on scientific grounds and would comport with the definition of risk assessment in NAFTA.

Three examples elucidate other plausible constructions of these restrictions. The first is the Delaney Clause, which is the result of a congressional determination made more than 30 years ago that carcinogens should not be introduced into the food supply in the face of their uncertain effects on human health. Industry groups attack the scientific basis for the Delaney Clause as outmoded, and other countries have criticized the Delaney Clause as an unfair trade barrier.

Second, California voters adopted a referendum in 1986, called Proposition 65, which prohibits knowingly and intentionally exposing anyone to chemicals that are listed by the State of California as causing cancer or reproductive toxic effects without providing a clear and reasonable warning. As a popular referendum, Proposition 65 may be vulnerable to claims that it was not "based on scientific principles." Article 712(3)(a). Moreover, a warning must be provided on a food containing a carcinogen even if the path of exposure for which the cancer effect has been shown is different, e.g., inhalation.

Third, the European Community imposed a ban on imports of hormone-treated beef effective one year after its 1988 ban on the use of hormones in EC beef production. The United States claimed that the ban, which followed a European Community ban on the use of

hormones, lacked scientific support and thus was a disguised restraint on trade. Wisconsin and Minnesota have also banned milk treated with hormones.

If a standard is based on a theorem that has not been supported by data or scientific information, it could be vulnerable. For example, FDA took certain plastic bottles off the market because it assumed that carcinogens in the bottles would migrate into the food.



V. LEVEL OF PROTECTION

NAFTA generally allows each country to choose the levels of protection it wants to provide. There are a few limitations.

In establishing food safety levels of protection, a country

(a) should take into account the objective of minimizing negative trade effects; and

(b) shall, with the objective of achieving consistency in such levels, avoid arbitrary or unjustifiable distinctions in such levels in different circumstances, where such distinction result in arbitrary or unjustifiable discrimination against a good of another Party or constitute a disguised restriction on trade between the Parties.

Technical standards should comply with the same mandate. Article 907(2).

There is little consistency in the levels of protection provided by U.S. standards dealing with various exposures to pesticides, let alone those dealing with pesticides on the one hand, food additives, microbiological contamination, and food irradiation on the other, particularly when state standards are part of the calculus. The same is true with technical standards addressing such diverse matters as recycling, air bags, heart valves, prescription drugs, products containing ozone-depleting chemicals, hazardous shipments, and toxic chemical bans. These distinctions may result more from their different historical or political origins than rationale policymaking, and thus may have a disproportionate impact on some imports, which exporters will surely claim is unjustifiable. If such arguments are successful, the latitude NAFTA gives countries in setting their levels of protection will be seriously constrained.

VI. NAFTA'S EFFECT ON STATE LAWS

Two related issues arise in determining the effect of a trade agreement on state laws. The first issue concerns the United States obligations as a matter of international law under the trade agreement itself.

Under GATT, which requires a country to "take such reasonable measures as may be available to it to ensure observance of the provisions of this Agreement by the regional and local governments and authorities within its territory," Article XXIV, countries are generally agreed to have an obligation to prevent local laws or actions that violate GATT. J. Jackson, World Trade and the Law of GATT 116 (1969). Scholars and state courts have also treated GATT as having preemptive effect over state laws under the Supremacy Clause. Hudec, "The Legal Status of GATT in the Domestic Law of the United States, in The European Community and GATT, at 199 (Hilf. et al., eds., 1986); state court cites. A recent GATT panel construed Article XXIV to permit only those state and local laws "which the central government cannot control because they fall outside its jurisdiction under the constitutional distribution of powers." Beer II at 97.

NAFTA has at least as strong an effect on state laws. Thus, Article 105, which applies to food safety standards, provides that:

The Parties shall ensure that all necessary measures are taken in order to give effect to the provisions of this Agreement, including their observance, except as otherwise provided in this Agreement, by state and provincial governments.

With respect to other standards, the parties "shall seek, through appropriate measures, to ensure observance" by state and provincial governments. Article 902(2). Moreover, certain standards obligations are explicitly spelled out for state governments. See, e.g., Article 301(2) (requiring states to provide imported goods no less favorable treatment than the most favorable treatment accorded to any like or directly competitive or substitutable good). Both of these provisions appear to require the federal government to take significant steps to ensure compliance with the Agreement by state and local governments, perhaps all steps within its constitutional power, in keeping with Beer II.

While NAFTA's terms dictate the federal government's obligations as a matter of international law, they do not prescribe the effect that NAFTA has as a matter of U.S. law. That effect is determined by a trade agreement's implementing legislation. Under the legislation implementing USCFNA, which has state law effect language identical to NAFTA's Article 105, makes it clear that the Agreement prevails over any conflicting state law. Pub. L. No. 100-449, § 102(b)(1)(A), (B), in 19 U.S.C. § 2112 note. Moreover, that legislation authorizes the federal government to bring an action challenging state laws or applications of state laws that

conflict with the Agreement. *Id.* § 102(b)(3).

The NAFTA implementing legislation could be expected to have the same implementing legislation provisions. In fact, given the history under USCFTA, Mexico and Canada might have a reasonable expectation that the federal government would have same authority that it has under the same state law effect language in the USCFTA.

Faced with the prospect of federal lawsuits to enforce NAFTA, the Governor of California has objected to such implementing authority. He contends that compliance with NAFTA obligations and decisions of dispute settlement panels should be left to the political process, as it is in the federal system, rather than transplanting it to the courts. Letter to Ambassador Kantor from Governor Wilson (date).

It should be pointed out that the USCFTA implementing legislation authorizes lawsuits by the federal government but not be private parties to enforce USCFTA against states. As a practical matter, however, it may be impossible to prevent state courts from considering NAFTA's effect on the viability of state laws in private litigation. Indeed, state courts have treated GATT as preemptive even without a statute giving it that effect. Cites.

Whatever the precise terms of the NAFTA implementing legislation, it cannot prevent trade challenges being lodged against state laws. See Beer II; Puerto Rican Milk Dispute. Rather, it will determine whether disputes will be resolved domestically through political processes or through judicial mandates.

○

75-934 (176)

ISBN 0-16-043587-0



9 780160 435874

